Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Ireland	IR£0.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$1.25.00	Switz	SFr2.30
Finland	FmK7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,549 Friday May 27 1988 D 8523 A

The tyranny of the paper degree, Page 19

World News

Syria, Iran agree to end conflict in south Beirut

Syria and Iran have at last agreed on the intervention by a joint Lebanese-Syrian disengagement and observation force to halt 20 days of bitter and bloody conflict between the rival Moslem Shia factions, Amal and Hizbollah, in the southern suburbs of Beirut.

Brigadier Ghazi Kanaan, Syrian chief of military intelligence, escaped unharmed when Hizbollah gunmen attacked his convoy. Page 6

White police to hang

Two white South African policemen were sentenced to hang in Johannesburg for the murder of a black youth, who was beaten and shot.

US move on Noriega

US diplomats began a round of consultations with Latin American governments in search of new options for bringing about the departure of General Manuel Antonio Noriega from Panama. Page 20

Pretoria bomb blasts

Four white women were injured when two bombs rocked streets packed with shoppers in the South African capital Pretoria. President P.W. Botha's National Party celebrated 40 years in power. ANC talks, Page 6

Pressure on Seoul

Brushing aside the wave of anti-American protests in South Korea, the US stepped up pressure on the Seoul Government to open up its markets, cut its huge current account surpluses and face up to its responsibilities as an economic power. Page 7

OAU elects chairman

The Organisation of African Unity (OAU), meeting at a summit in Addis Ababa, elected Malian President Moussa Traore as its chairman to replace Zambian President Kenneth Kaunda. Gadaffi initiative, Page 6

Vietnamese withdrawal

Soviet officials said that Vietnam's planned withdrawal of 50,000 troops in Cambodia could improve relations between the Soviet Union and China. Vietnam said it would withdraw what it says is half of its troop strength in Cambodia between June and December, and the other 50,000 by 1990. Page 6

Bush aide to resign

Vice President George Bush's chief spokesman, Mr Peter Teeley, said he intended to resign and accused other advisers of limiting his access to the likely Republican presidential nominee. Page 5

Raids on Tamil camps

More than 6,000 Indian troops backed by helicopter gunships raided Tamil rebel camps near a northern fishing village

Danish parliament

The Danish parliament met for the first time since the May 10 election, with no sign of agreement on a government coalition.

China flood toll rises

The death toll from massive flooding in south-east China rose to 126 and relief workers fear more rain could bring fresh disaster to the region this weekend.

SLA hunt guerrillas

Pro-Israeli militiamen of the Christian-led South Lebanon Army (SLA), backed by Israeli air and ground forces, scoured a south Lebanese village for Moslem guerrillas in the second such hunt in two days.

UDF election ban

South Africa's biggest anti-apartheid group, the United Democratic Front (UDF), and 17 other groups restricted by Pretoria last February will not be allowed to take part in October's municipal elections, Information Minister Stoffel van der Merwe said.

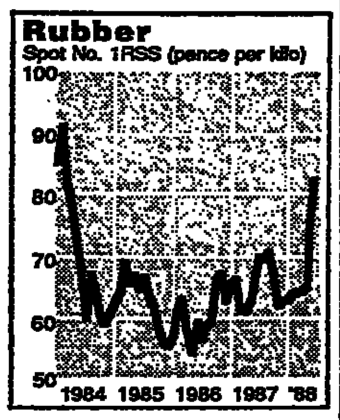
Business Summary

Boeing wins second major order for 757 aircraft

BOEING won its second large order in two days for its 757 airline when United Airlines, the Chicago-based carrier owned by Allegis, announced it would buy 30 with options for 30 more having a total value of more than $2bn. Page 7

US SECURITIES and Exchange Commission voted to ask Congress to broaden substantially its power to halt securities trading during emergencies and to give it regulatory oversight over stock index futures. Page 20

RUBBER continued its recent gains in London, where the spot price per kilo gained 1p to close at 82p. Fears that the market was



overheating prompted Malaysian rubber officials to try to dampen speculative interest as prices there surged to an eight-year high. Page 34

TOKYO: The wait for revised first-quarter figures on US GNP sent many investors to the sidelines with the Nikkei average falling 15.41 to close at 27,428.24. Page 46

WALL STREET: The Dow Jones industrial average closed up 5.38 at 1,966.75. Page 46

LONDON: Rowntree was the focus of attention as Swiss confectioner Jacobs Suchard weighed in with a bid. The FT-SE 100 index lost 2.6 to close at 1,785.3. Page 42

DOLLAR closed in New York at Y124.575, DM1.70825, FFr5.7565, SFr1.4245. It closed in London at DM1.7055 (DM1.7055), Y124.40 (Y124.30), FFr5.7525 (FFr5.7400), SFr1.4240 (SFr1.4245). Page 35

STERLING closed in New York at $1.86175. It closed in London at $1.8630 ($1.8630), DM3.1800 (DM3.1775), Y231.75 (Y231.50), FFr10.7175 (FFr10.6950), SFr2.6525 (SFr2.6550). Page 35

LILCO, the Long Island Lighting Company, is selling a $5.3bn nuclear power station to the Long Island Power Authority for $1. Page 20

BEECHAM, UK pharmaceutical group, signed the first international licencing agreement by any company for the transfer of pharmaceutical technology to Saudi Arabia. Page 21

LITTON Industries, California-based electronics and industrial products group, reported 23 per cent rise in third-quarter net profits to $42.04m. Page 21

BANK of France cut its main money market interest rates by a quarter of a percentage point making the new intervention rate band of 7-7.5 per cent its lowest for two years. Page 20

ZURICH Stock Exchange may take action against listed Swiss companies which impose excessive restrictions on the holding of their registered shares. Page 22

DEUTSCHE Genossenschafts bank, central institution for West Germany's co-operative banks, saw partial group operating profits rise more than 5 per cent to DM573m ($337m). Page 22

ALAN BOND, Australian entrepreneur, is to sell for HK$1.37bn ($175.6m) a portfolio of six big residential property developments in Hong Kong. Page 22

HONDA MOTOR, Japanese motor company, posted a 34.8per cent increase in interim pre-tax profits to Y91.12bn ($732.3m). Page 23

Texaco officials describe Icahn takeover bid as a joke

BY ANATOLE KALETSKY IN NEW YORK

OFFICIALS AT Texaco yesterday described as "a joke" the offer by Mr Carl Icahn to buy their company – the third-largest oil producer and marketer in the US – for $60 a share or $14.5bn.

Most analysts and arbitrageurs on Wall Street agreed and Texaco's share price rose only $3¼ to $50⅛ yesterday morning in response to Mr Icahn's Wednesday night announcement.

Four years ago, when Pennzoil, a little known wildcatting company from Houston, sued Texaco over an obscure breach of contract, the oil giant's management described that as a joke, too.

In fact, they found Pennzoil's claim so ludicrous that they did not even bother to contest the figure for damages before the Texas jury. Most Wall Street analysts went along with the joke and shrugged off Pennzoil's suit.

When Pennzoil was awarded $10.5bn in damages two years later, Texaco executives and lawyers poured scorn on that judgment, as well.

At each stage in the tragicomic saga of Texaco's undoing, it has been literally incredible that the company would be forced to take the next logical step along the road to ruin. And yet, after setting its first merger record with the $10bn acquisition of Getty Oil which started all the trouble, Texaco has moved ineluctably through the biggest damage award, the biggest legal settlement, the biggest bankruptcy and now the biggest takeover bid in history.

Why then do Wall Street arbitrageurs continue to dismiss the possibility that Mr Icahn, or some other bidder, might end up buying Texaco and breaking it up? The sheer size of the company is certainly not the biggest problem.

While $14.5bn is a lot of money, putting together a financing package for an asset-rich company like Texaco would present fewer problems than raising half that sum for a manufacturing or service business with less tangible property to be sold off and mortgaged.

Even without any new partners Mr Icahn, along with the secretive private individuals and institutions who back his investment partnerships, could quite possibly raise that kind of money in today's overflowing credit markets.

Mr Icahn and the various companies he controls, including Trans World Airlines, already hold a 14.8 per cent stake in Texaco. This means they would have to raise only a further $12.4bn to buy the remaining 85 per cent.

Mr Icahn also owns about 10 per cent of USX, the leading steelmaker and energy concern which he threatened to take over in 1986. These shares are worth $900m at current market prices and could possibly fetch more than that if sold as a block.

Furthermore, Kohlberg Kravis Roberts, the New York leveraged buyout specialist, is known to be waiting in the wings with a 4.9

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Icahn: biggest offer

Commission imposes anti-dumping tax on Japanese printers

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday imposed anti-dumping duties of up to 33.4 per cent on $1.3bn worth of Japanese dot matrix computer printers in one of the biggest actions of its kind launched by the Brussels authorities.

All 15 Japanese companies selling dot matrix printers in Europe will be hit by the initial provisional duties, which are expected to lead to a round of price rises across the industry. The companies affected include Brother Industries, Fujitsu and NEC, as well as Seiko Epson, the industry market leader and originator of a controversial campaign against the Commission inquiry.

The move brought immediate protests last night from some of the leading Japanese producers. NEC, which recently invested heavily in a UK manufacturing facility, said it had objected to the decision but that it seemed as though it would now have to accept the levy.

By far the strongest reaction came from Epson, which is estimated to have a market share of about 30 per cent in Europe. Mr Don Pinchbeck, general manager in the UK, said the levies would hit consumers by pushing up prices, and would give an unfair advantage to other Far Eastern producers.

He was particularly critical of the fact that the Commission had taken no action against printers made in Hong Kong, the source of machines sold by Amstrad, the fast-expanding UK group. Because Epson had increased its prices under the pressure of the anti-dumping action, Amstrad was now able to undercut it.

"What this levy could do is to jeopardise the excellent employment opportunities already being created within the Japanese manufacturers based in the EC," he added.

The duties are provisional in that exporters need only take out bank guarantees for the fines, but they will almost certainly be made definitive within the next six months, when the guarantees must be paid and further fines will be charged in cash at EC borders. It is highly likely that the companies will appeal when the duties become definitive.

Yesterday's fines were triggered by a complaint in March last year from the EC's four leading computer printer makers – Olivetti; the Italian branch of Honeywell Information Systems, an affiliate of the Bull computer group of France; Mannesmann Tally of West Germany; and Philips Kommunikations, also of West Germany. Their submission to the EC was directed only against dot matrix printers, an impact printing technique which has been applied to the production of relatively inexpensive machines that are particularly suitable for working in conjunction with personal computers.

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Party unveils reform proposals

By Quentin Peel in Moscow

FIRST CLEAR details of sweeping plans to overhaul the Soviet Union's ruling Communist Party were published last night, proposing a 10-year limit on officials holding the same job and restoration of the democratic powers of elected bodies.

The plans, proposed by the Central Committee of the Party as the basis for a fundamental debate at next month's national conference, include references to the failure of Soviet economic and foreign policy in the past, and the need for continuing radical reforms.

The proposals appear to go a long way towards the sort of democratisation advocated by Mr Mikhail Gorbachev, the Soviet leader and party general secretary. However, many of his supporters fear that the delegates will not be prepared to go so far to curb their own traditional powers.

The "theses" for the party conference, which amount to a draft agenda, warn that "survivals of the conservative and bureaucratic mentality have proved especially tenacious. Adherents of dogmatic concepts of socialism are slow to yield. Without overcoming these negative phenomena, it is impossible to advance further and accomplish the major tasks of perestroika."

There are warnings both that the party must be kept within a legal framework, and party officials prevented from exceeding their authority. It talks of the need to reform the political system "to really draw broad sections of the population into running all state and public affairs" – a tacit admission that the party has hitherto failed to do so.

Continued on Page 20

Moscow hopeful of summit arms control progress

BY QUENTIN PEEL IN MOSCOW

A KEY ARMS control adviser to Mr Mikhail Gorbachev, the Soviet leader, yesterday expressed optimism for progress on a range of arms control issues at next week's Moscow summit between Mr Gorbachev and President Ronald Reagan.

But Marshal Sergei Akhromeyev, chief of the Soviet general staff, stopped short of predicting a final agreement on a 50 per cent cut in strategic nuclear weapons.

At the same time, Soviet negotiators said there was a convergence of views on holding a Middle East peace conference. The US has consistently expressed doubts about the form of such a meeting.

Marshal Akhromeyev said the Soviet side would be looking for clear instructions from Mr Gorbachev and President Reagan to speed up the pace of the strategic arms reduction talks. He was adamant that they must include agreement on all the missiles most difficult to verify, including air-launched, sea-launched and mobile ground-launched weapons.

He also ruled out any unilateral Soviet offer to withdraw large numbers of its conventional forces from Eastern Europe, but said the two superpowers might be able to agree on the mandate for conventional arms reduction talks and the geographical scope for any future deal.

Marshal Akhromeyev confirmed the US was proposing a separate agreement on advance warning of missile launches, which could be agreed outside the main strategic arms pact.

The leading Soviet negotiators were cautiously optimistic about the outcome of the summit, while insisting that no one should be surprised at the absence of a strategic arms agreement.

"This should not surprise anyone and should not disappoint anyone," Mr Vladimir Petrovsky, Soviet deputy foreign minister, said. "It touches upon the deepest aspects of the security of our two countries . . . It must be carefully polished and prepared in the smallest detail."

Marshal Akhromeyev accused the US Navy of holding up any agreement on sea-launched missiles, regarded as the most difficult stumbling block. He insisted that verification was possible by allowing access for inspectors on submarines and other vessels just as on ground missile sites.

He said progress had been made in the arms talks since the Washington summit, both on setting sub-limits for each category of land-based and sea-based nuclear missiles and on the number of missile launching pads and warheads.

The marshal, who also revealed for the first time that there were 100,300 Soviet troops in Afghanistan, reacted strongly to any suggestion of unilateral troop withdrawals from Eastern Europe. "Why should we?" he asked. "There is no reason for unilateral withdrawal."

He said the US and Soviet Union should be able to agree on a mandate for conventional arms reduction talks, which the Soviet side is determined should include air forces as well as land forces.

There was one note of criticism in the Soviet pre-summit briefing, on the decision by President Reagan to meet "refuseniks". Mr Petrovsky said: "It is doubtful that such steps will help to improve relations between our two countries."

Rowntree rebuffs Suchard

BY DAVID WALLER IN LONDON

JACOBS SUCHARD, the Swiss coffee and confectionery group, yesterday challenged Nestlé for control of Rowntree by launching a hostile cash counter-bid.

The latest offer values the York-based chocolate confectionery company at £2.32bn ($4.3bn), compared to the £2.1bn value of Nestlé original bid.

Rowntree rejected Suchard's bid and issued a defence document spelling out the reasons why it believed it should remain independent.

Its arguments were supported with a forecast that it would boost its pre-tax profits by 20 per cent to £135m this year, higher than the £127m anticipated by most stockbrokers.

The stockmarket took the view that Rowntree's fate would be decided at an auction between the two Swiss companies, which between them own over 45 per cent of the UK company's shares.

Fuelled by the expectation that Nestlé would launch a higher "knock-out" offer to win control, Rowntree's shares rose 29p to close at 1029p.

At this level, they stand at 79p above Suchard's 950p counter-bid and a full 139p higher than Nestlé's original 890p offer.

Nestlé yesterday refused to comment on its intention.

Mr Klaus Jacobs, chairman of Suchard, said in London that with sales of an estimated £2.3bn, the combination of Suchard and Rowntree would eclipse Mars, the private US company, as the world's largest confectionery group.

However, he stressed that global size was not the main rationale for the bid.

He claimed that the the combination of its own brands, which include Toblerone and Milka, with those of Rowntree, would enable the merged company to

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Reed pulls out of paper sector

BY MAGGIE URRY IN LONDON

REED INTERNATIONAL, the UK publishing, paper and packaging group, is selling its paper and packaging interests in Europe and North America, representing about 40 per cent of the company's sales and profits.

Analysts suggested yesterday that this could raise £800m ($1.5bn) and Reed's share price rose 8p to close at 423p.

The move marks the final withdrawal by the group from its original paper business. Over the last decade or so it has been restructuring its business, focusing on fewer core activities and making numerous acquisitions.

Mr Peter Davis, Reed's chief executive, said the group decided to make the disposals after a strategic review of the business last autumn. "There is absolutely no logic left in having the two businesses," he said.

In future Reed will concentrate resources on its publishing business. This, Mr Davis said, is strong and rapidly growing, has a high cashflow and a number of opportunities to expand.

"We are about 10th in the world publishing league," he said. "It is getting more concentrated and the stakes are getting bigger."

UK PAPER AND BOARD MAKERS

	UK annual capacity ('000 tonnes)
David S Smith	500
Reed	405
Davidsons (BPB Inds)	365†
UK Paper	300
Cons Bathurst	260
Wiggins Teape (BAT Inds)	230
Utd Paper Mills	200§

† Rising to 430 in 1989; § Rising to 400 in 1989

The proceeds of the sales will go to acquisitions and development of the publishing side.

The disposal will be in two parts. The larger one, expected to raise some £600m, will be of the Reed Manufacturing group, which includes its UK paper-making, packaging, and trading businesses together with its paper and packaging activities in the Netherlands.

These will form a management buy-out, the second largest seen in the UK, backed with finance from institutions led by CIN Venture Managers, the venture capital arm of the British Coal and British Rail pension funds. Eventually it is expected to return to the stockmarket.

Other bids had been made for the businesses, but Mr Davis said Reed had wanted to sell the manufacturing group as one company and the best offer came from the management team.

A higher offer could still appear before the deal was completed, he said. Last year Reed planned to sell its paint and do-it-yourself business to a management team until a better offer came from Williams Holdings.

The other part of the sale will be of the North American paper business, primarily a newsprint mill in Quebec, Canada. Mr Davis said discussions are in an advanced stage with two or three interested parties. Speculation in the stockmarket about a possible sale persuaded Reed to make an announcement and details will be revealed on June 8, together with the company's trading results for 1987-88.

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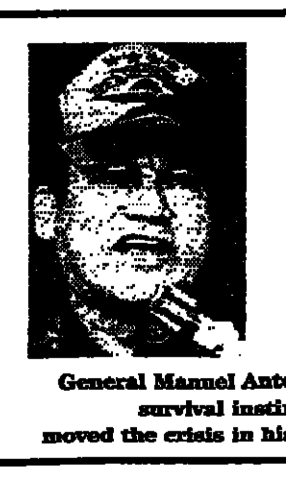

PANAMA STRONGMAN CHALLENGES AMERICAN GOLIATH

General Manuel Antonio Noriega's survival instinct has moved the crisis in his favour, Page 5

EUROPEAN NEWS

Brussels may face legal action over BSC aid

BY WILLIAM DAWKINS IN BRUSSELS

THE RISK of a legal clash between the West German steel industry and the European Commission loomed yesterday when Brussels rejected a complaint from the country's main producers' association against state aid for the British Steel Corporation.

The West German Iron and Steel Federation alleged last month that BSC had received too much state aid from the UK Government, so contravening tight European Community restrictions on government assistance.

The federation was preparing its formal response yesterday, but it has already warned that it might fight the Commisson in the European Court for failing to enforce steel aid rules: a move which would complicate BSC's privatisation prospects.

However, the Commission accepted another complaint by the West German industry that Finsider, the Italian state-owned steelmaker, was receiving too much state aid, in the form of credit from state-controlled banks. Brussels says it has launched an inquiry into Italian steel aid – a response likely to satisfy the federation.

The Brussels authorities' reply will do little to help the deadlock between member states over Commission plans to end the system of steel output quotas, due to be discussed at a meeting of the Community's industry ministers today. West Germany refuses to agree to the ending of quotas while its competitors benefit from allegedly illicit national aid – and its stance as the EC's largest steelmaker is crucial to other member states' attitudes.

The Commission, supported by Britain and the Netherlands, wants to scrap quotas as an unnecessary and anti-competitive protection for an industry healthy enough to survive without such help. Today's meeting will not try to make a decision on the future of quotas, but will set the tone for a final attempt to do so at the end of June.

Practically all national aid to steel companies has been banned in the EC since 1985, and until then it was only allowed on condition that it accompanied closures. The West German federation argues that BSC is still benefiting artificially from the elimination of its debts thanks to pre-1985 state aid and that the main purpose of this assistance was to prepare for the group's public sale, rather than to restructure.

The Commission says the legality of aid for BSC has already been confirmed by the European Court; the agreed closures have been made in full, and the steelmaker's profits have been helped by the management's willingness to "reinforce the company's structure." It therefore "rejects the view that BSC received too much aid."

US fighters to transfer from Spain to Italy

BY DAVID WHITE, DEFENCE CORRESPONDENT

US TACTICAL fighters due to be withdrawn from Spain will be transferred to Italy, and Nato will shoulder the cost, defence ministers agreed yesterday in Brussels. The agreement in principle was announced by Mr Rupert Scholz, the new West German Defence Minister, who was making his first appearance at a Nato meeting.

The bill for moving the 401st Tactical Air Wing, involving about 4,000 US military personnel, has been estimated at up to $500m. Although a large part is due to come from Nato's infrastructure funds, details of how the cost will be shared have still to be finalised. The US, which took the stance that other allies would have to find the money for the transfer, was reported to be ready to pay for recreational facilities at the new base.

The 72 F-16 fighters, which are capable of delivering nuclear weapons, are due to be withdrawn from the joint Spanish-US base at Torrejon de Ardoz, outside Madrid, within the next three years.

Agreement between Washington and Madrid on removing the fighter presence, which has provoked a long series of anti-US demonstrations, was reached in January after 18 months of tense negotiations. The US argued that the aircraft were of critical importance to the alliance in its defensive coverage of southeast Europe. The Spanish Government, however, insisted that all the fighters should go as evidence that it was honouring the promises made in its 1986 referendum confirming Nato membership.

The ministers were attending a meeting of the Defence Planning Group, overshadowed by US pressure for more evidence from European allies and Canada that they are taking a full share of the Nato military burden. It follows visits to a number of European countries by Mr William Taft, Deputy Secretary of Defence.

The European countries which have come under most criticism for the level of their financial contribution are Denmark, Belgium and Italy.

West urged to take lead on arms proposals

BY DAVID WHITE, DEFENCE CORRESPONDENT

WESTERN governments must take the initiative in proposing further arms cuts, the International Institute for Strategic Studies says in a report published today.

It also calls on Nato to make a thorough review of the role of nuclear forces, but warns that without a broad new consensus on the alliance's aims it may be hard to obtain public acceptance for the strong policy recommendations which may be required.

In its annual Strategic Survey, the independent body says the West should make its own proposals soon for righting the imbalance in conventional forces in Europe. If it fails to challenge the Soviet Union in this way, Mr Mikhail Gorbachev could be expected to advance initiatives which could have "a seriously divisive effect" on Nato.

The Soviet proposals could combine deep conventional force reductions with a so-called "third zero," eliminating nuclear missiles below a 500km range, the minimum covered in last December's INF treaty scrapping medium-range ground-based missiles in Europe.

Mr Gorbachev may also "take eye-catching unilateral steps to secure for himself the political high ground," the report warns.

It calls for a comprehensive review by Nato of the West's defence options, defining more clearly the relationship between nuclear and conventional weapons and adjusting its force-level goals in accordance. However, it says this task is made harder by the diversity of views within Nato and the imminence of the US presidential election.

Warning of the difficulty in obtaining public backing for forceful policies, particularly in West Germany, it supports the idea of a fundamental and high-profile review of Nato's political and strategic objectives.

The review would be new version of the 1967 Report on the Future Tasks of the Alliance, better known as the Harmel report, after its initiator, the former Belgian Foreign Minister, Mr Pierre Harmel.

The survey says new Western thinking must reflect the fact that for many years US economic and military strength has been growing more slowly than other countries'. "It has become more and more clear that the restoration of American power to its former predominant position is no longer to be expected," it says.

"It's not a revolution that we are advocating, but an updating," Mr Francois Heisbourg, the Institute's director, said in presenting the survey's recommendations.

The review of options had to take into account the West German case for taking an overall view of the mix of shorter and longer range weapons rather than tackling the issue of modernising battlefield nuclear weapons in isolation.

The survey warns of the political impact of modernising short-range weapons, which "smack more of 'war-fighting' than deterrence." It adds that any plan by Nato to compensate for the systems eliminated under the INF treaty risks provoking a countervailing Soviet response and causing disillusionment in European public opinion after it had been led to believe that the treaty marked a real reduction in the nuclear threat.

West Germany's far right gains recruits

BY DAVID GOODHART IN BONN

THE WEST GERMAN counter-intelligence agency, the Bundesamt Fuer Verfassungsschutz (BFV), has reported a sharp increase in the membership of extreme right-wing organisations and a slight drop in membership on the extreme left.

Mr Friedrich Zimmermann, the Interior Minister, said that, after years of stagnation, parties of the extreme right had increased their numbers by about 14 per cent up from 22,100 to 25,200. However, the increase in membership of avowedly neo-Nazi organisations has increased more slowly from 1,460 to 1,520 and numbers are still well below those at the peak of the neo-Nazi revival in the late 1980s. On the left, Mr Zimmermann reported that the West German Communist Party (DKP) was facing its biggest internal crisis to date, largely as a result of the changes in the Soviet Union, and membership had fallen below 38,000 for the first time in 15 years.

According to the BFV, some party members have enthusiastically embraced the ideas of glasnost but there has come into conflict with a leadership supported and financed by East Germany, where the current changes in the Soviet Union are not generally welcomed.

Membership of extreme left bodies is down from 63,000 to 62,000, and there has also been a reduction in the incidence of left-wing terrorism and violence (although an increase in the cost of damage), the first such decline for some years. The Red Army Fraction has not been evident for more than a year, but it is still thought to exist with a hard core of about 15 and about 200 supporters.

France pledges co-operation to fight Eta

BY TOM BURNS IN MADRID

THE FRENCH Interior, Mr Pierre Joxe, yesterday promised to maintain the co-operation with Spain on cross-border terrorist control which has proved a key element in Madrid's efforts to reduce Eta, the basque separatist organisation.

Making his first visit outside France since joining the new Government, Mr Joxe held talks with his Spanish opposite number, Mr Jose Barrionuevo, and with the Prime Minister, Mr Felipe Gonzalez.

His visit had been eagerly awaited by the Spanish Government who were hoping for the apparently supportive remarks that Mr Joxe delivered after his meetings.

Mr Joxe, as Interior Minister three years ago, had assented to the first ever extraditions of wanted Eta members to Spain, but later in opposition he had voiced concern about the policy, developed by Mr Jacques Chirac's government, that favoured the summary handing over to Spanish police of Basque separatist suspects living in southwest France.

Before returning to Paris Mr Joxe told reporters that there would be continued co-operation "between the Spanish and French democracies to ensure the maintenance of freedom."

Eta was accused yesterday of the murder of a restaurant owner in the Basque country. Mr Sebastian Azpiri (38) was shot through the head in the town of Eibar on Wednesday evening, and police suggested that the killing was part of the underground organization's campaign against drug traffickers.

The separatists have also been holding Madrid property dealer Mr Emiliano Revilla hostage for more than three months and earlier this month French and Spanish police co-operation foiled an attempt by Mr Revilla's family to deliver some £3.5m worth of ransom money to the organisation. Mr Barrionuevo has faced criticism over a bungled attempt by police to free Mr Revilla.

A woman was wounded when the police stormed a house in a Madrid suburb where they mistakenly believed the kidnappers might have holed up.

Italian parties scramble for votes in local elections

BY JOHN WYLES IN ROME

FOR THE past month or so, Italy has bloomed as a true land of promises, as dozens of rival parties and groups have scrambled for support in local elections this weekend involving more than 7m voters.

It is at this level of provincial councils and local communes that the wheels of Italian political patronage turn most blatantly. Local authority jobs, supply and construction contracts, school places, pension payments: the list of promises is enormous and quite unblushing.

Of course not all parties are equally involved in such auctions. The Christian Democrats in the Mezzogiorno are still held to be the worst offenders, with the Socialists running them a close second in some areas.

A revulsion against such traditional politics partly explains the growing phenomenon of "civic lists". In some cases, such as the Lega Lombarda, these are fully constituted regional parties tilting against the tyranny exercised from Rome by the "party-ocracy".

In others, they are just like-minded citizens who claim to be "against politics" and in favour of efficient, honest government.

In virtually every one of the 415 communal elections that will be based on proportional representation, there is one or more civic list. They are particularly numerous in the north and are expected to pocket 10 per cent or more of the vote in some towns. The smaller communes counting fewer than 5,000 inhabitants – around 800 in all – will be voting on a simple majority system.

Although the outcome of the elections is not expected to have any immediate impact on the new national five-party coalition government, led by the Christian Democrat Mr Ciriaco De Mita, the results will be closely scrutinised by party headquarters.

If the civic lists do well, then the Socialists can be expected to push even harder at national level for a threshold vote below which no party can win representation in the national parliament.

The Christian Democrats will be anxious to hold on to their vote after years of steady decline in national and local elections, despite a small recovery in last year's general elections.

The Communists are hoping to recover from the slide in their national vote last year to 26.6 per cent, while there will be some interest in whether the neo-fascist MSI garners some strength from the publicity of the funerals this week of its veterans Giorgio Almirante and Pino Romualdi.

The last time these councils and communes voted five years ago, the Christian Democrats polled 35.6 per cent, the Communists 25.8 per cent, the Socialists 15.3 per cent, the Republicans 5.4 per cent, the Social Democrats 6.3 per cent, the MSI 5 per cent and the Liberals 1.9 per cent.

President Mitterrand: meeting with Mulroney

Canada and France end fishing row

By George Graham in Paris

FRANCE and Canada have settled their differences and are to resume negotiations over the fishing zones around St Pierre and Miquelon, the French islands just off the Canadian coast.

The long-running dispute over fishing quotas in the Gulf of St Lawrence for the St Pierrais and for trawlers from metropolitan France had flared up in April in the run-up to the French presidential election, after Canada had arrested a group of St Pierre politicians deliberately fishing in Canadian territorial waters.

Negotiations over the fishing rights were broken off, and France even recalled its ambassador from Ottawa in an unusually firm protest against the Canadian action.

A temporary settlement appeared to have been reached with the appointment of a mediator to resolve the disputed fish quotas, but the row broke out again when France arrested a Canadian fishing vessel in St Pierre waters three days before the second round of the presidential election.

Mr Brian Mulroney, the Canadian prime minister, said yesterday that the two countries' negotiators were now expected to meet around June 7 and that he hoped that the talks would "result in a fair settlement".

Mr Mulroney met President Francois Mitterrand and his new prime minister, Mr Michel Rocard.

The Canadian prime minister said the question of his country's contract for up to 12 nuclear submarines, in which France's Amethyst class is competing against the UK's Trafalgar, had been discussed informally, although it was not on the main agenda. The contract is expected to be awarded this summer.

Industrialist attacks Italian N-policy

By John Wyles in Rome

MR SERGIO PININFARINA, one of the most celebrated names in Italian design, yesterday made his debut as the main spokesman for the nation's industry with a sharp criticism of certain aspects of the new Government's programme.

Recently elected president of Confindustria, Italy's top business organisation, he affirmed that preparing the country for the opening of the European Community's internal market in 1992 would be one of the most important objectives of his two-year term of office.

In a long speech to the organisation's annual assembly, Mr Pininfarina called for "new rules and new behaviour" in virtually every aspect of national economic and political life. But so broad was his brush that he offered few clues to Confindustria's actual priorities for change.

While full square behind government plans to establish firm control over the budget deficit and public debt by 1992, Mr Pininfarina had some harsh words for its choice of a virtually nonnuclear energy policy and for its intention to ease the unemployment problem in the south by boosting public employment.

The Government's apparent intention to confine nuclear energy production to just one plant was "neither wise nor farsighted," he said. Such political prejudice would "accentuate the distance between our country and the other industrialised nations."

As for the Mezzogiorno's problems of backwardness, these had to be offered market oriented solutions distant from the "politics of assistance of the past" which had caused "a great waste of resources but have not reduced the gap with the rest of the country."

Mr Pininfarina said the Government was offering only a superficial response to the region's high unemployment with its plan to create more public sector jobs.

Greece-Turkey talks avoid divisive issues

By Andriana Ierodiaconou in Athens

THREE DAYS of political talks in Athens led by the foreign ministers of Greece and Turkey appeared set yesterday to end without touching upon the key disputes in the Aegean and Cyprus.

However the two Nato neighbours were expected to announce an agreement on a number of secondary issues, designed to keep alive the rapprochament launched by their prime ministers in Davos last January.

The main achievement of the two foreign ministers in Athens this week has been to avert the breakdown which threatened on the first day of talks, when the two sides appeared unable to settle on agenda.

A collapse of the Greek-Turkish dialogue at that point would have hung over the planned official visit to Athens on June 13 by Turkey's prime minister, Mr Turgut Ozal.

The deadlock was averted by removing from the table key disputes which for the Greek side include Ankara's 14-year occupation of northern Cyprus, and for the Turkish side the sharing of sea and air space rights in the Aegean. These issues are expected to be raised during the Ozal visit.

A Greek spokesman indicated that the talks this week concentrated on confidence-building measures, such as the abolition of a visa requirement for Greek and Turkish diplomats and the avoidance of statements likely to jeopardise the improvement in relations.

● Turkish security forces have killed 10 Kurdish rebels in a day-long clash in the southeastern province of Hakkari, the semi-official Anatolian news agency said yesterday, Reuter reports.

Three Turkish soldiers were wounded in the fighting which continued throughout most of Wednesday near Semdinli, 15 miles north of the area where Turkey's borders meet Iran and Iraq, it said.

EUROPEAN NEWS

Religious stakes draw heavy Irish betting

By Kieran Cooke in Dublin

EVER SEEN a flying nun? Or a racing rabbi? Or perhaps a galloping monsignor? They'll all be there this weekend at the Interdenominational Clergy Person's race in Trim, County Meath, the Republic of Ireland.

The bookies have already reported heavy betting on what promises to be one of the unusual horse races ever. First nun past the post will receive a thousand pounds.

Mr Michael Reagan is a local solicitor and organiser of this delicate moulding of the cloth and turf. "We've quite a gaggle of nuns taking part," he said. "So far we've had 182 enquiries from various convents round the country, but we'll only be picking the cream of the bunch."

All entrants will be raising money for charity. At the moment Sister Anne Neylan of the Daughters of Charity is favourite in the nuns category. Sister Neylan, who worked as a stable girl before deciding on a more spiritual way of life, is up on Sweet Divine.

Overall race favourite so far is the local parish priest, Fr Declan Smith, who is riding Divine Intervention. However, there are doubts about Fr Smith's staying power. Last year, when in the lead, he heeled over on the final bend and, in the process, brought down Fr Pat Carney on Roman Folly.

In so doing, 17-stone Fr Willy Hennessy, Dean of Discipline at St Kieran's College in Kilkenny, romped home on Wing and a Prayer.

Fr Hennessy will not be competing this weekend. "I'm bitterly disappointed but I have an ordination to go to and feel it better take precedence," he said.

But there are plenty of other hopefuls. A late entry is 74-year-old Dr David Sigiloff, who is representing the London Jewish community. Dr David Tomkin is taking part on behalf of Dublin's Adelaide synagogue. Substantial sums are rumoured to be placed on his horse Wailing Wall.

"Everything is now in apple pie order," says Mr Reagan. "There's a bit of a cut in the ground from the recent rain and we shouldn't have too many cracked clerical heads."

The interdenominational race is over one and a half miles along the banks of the Boyne river, where the Protestant William of Orange defeated the Catholic Jacobites in 1689. This weekend a different, but none the less keen, battle will be waged.

FINANCIAL TIMES

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Hazel Duffy analyses the decision on the criteria required for regions of western Europe to qualify for basic economic aid

EC raises hopes of providing more funds for its poorer members

MINISTERS OF THE European Community are hopeful of an early agreement, perhaps in the next few weeks, on the main framework for enlarged funds aimed at narrowing the gap between the richer and poorer regions of the community.

The funds, which will have Ecu 14.4bn (£9.45bn) at their disposal in 1993, represent the biggest spending power on a Community basis after that spent on supporting the Common Agricultural Policy.

This week, foreign ministers in Brussels agreed the basis on which under-developed regions will qualify for assistance. On the highly sensitive issue of which criteria should be adopted to define the industrial regions which will receive aid, the German presidency of the Council has tabled compromise proposals on those put forward originally by the European Commission in a bid to get agreement before next month's summit.

The new proposals, if agreed, could expand the industrial areas eligible for aid from the European Regional Development Fund.

The qualification of 15 per cent unemployment above the Community average over the last three years would be modified simply to "higher than the Community average."

Certain industrial areas in France and Germany would come within the latter definition. Areas which have suffered industrial decline for the last 15 years, instead of 10 as originally proposed, will qualify. Hard hit areas such as Merseyside and Strathclyde in the UK will come within the net on this basis.

Special urban areas with unemployment at least 50 per cent over the Community average will come in. Reference to helping areas which have suffered industrial decline has been substituted for aiding those affected by the contraction of specific industries.

The proposals are likely to be supported by the Spanish government in the interests of securing agreement. Its support is critical, given that the enlarging of the so-called structural funds – agreed at the February summit – was intended to help the Mediterranean countries develop faster in the light of the expected greater benefits flowing to the industries of the northern countries from the internal market.

> The funds represent the largest promised spending power on a Community basis after that paid out to support the Common Agricultural Policy

Greece and Portugal, however, are still pressing to be given precise details of how much they will receive from the funds.

Some 80 per cent of the three funds – the Regional Fund, Social Fund, and Agricultural Fund – which will be doubled by 1993, will go to the less developed regions. These have been defined as those which have 75 per cent or less of the Community's average Gross Domestic Product per head.

The lack of up-to-date figures from Italy has been a stumbling block in reaching agreement on these areas, but seems likely to be overcome. Qualifying regions in this category include the whole of Greece, Ireland, Portugal, Northern Ireland, most of the southern part of Italy, the overseas territories of France, and parts of Spain. In Britain, the Highlands and Islands in Scotland, mid Wales and parts of Devon and Cornwall, and two more areas of Spain were this week included.

Spain will probably emerge as the country which will top the pay-out from the Regional Fund, followed by Italy, and the UK.

Given the greater flexibility in definition of qualifying industrial areas implicit in the latest proposals, the European Commission is likely to press for more say in the actual implementation of the funds. Its concern is that the sums available for the industrial regions, which will amount to Ecu 1.5bn in 1992, should be concentrated on comprehensive projects rather than be sprinkled around on individual projects, as has mostly been the case to date.

It also wants the overall territorial coverage of the Regional Fund reduced. At present, 41 per cent of the Community lives in areas qualifying for the Fund. The Commission would like to see this nearer 35 per cent. The Social Fund, which provides help towards alleviating long term unemployment and training of young people, will not be carved up on a regional basis.

The criteria for implementing the Agricultural Fund – aimed at promoting development in rural areas which are losing out under the reform of the Common Agricultural Policy – have yet to be determined but are not expected to hold up agreement to the overall restructuring of the funds.

Romania plan angers Hungary

BY LESLIE COLITT

HUNGARY'S media are maintaining a barrage of attacks on Romania, highlighting one of the bitterest bilateral disputes ever to be conducted in public by two Warsaw Pact members.

Hungary is alleging that the Romanian leader, Mr Nicolae Ceausecu, aims to "liquidate" thousands of villages, including many inhabited by ethnic Hungarians and Germans.

Hungarian press reports said 6,000 villages were slated for elimination under the plan.

Many of the villages were in Transylvania, where most of Romania's 1.7m ethnic Hungarians and 600,000 ethnic Germans live. "Everything is to be liquidated, including churches and cemeteries," the Hungarian news agency, MTI said.

Magyar Ifusag, the magazine of the Hungarian youth organisation, said the selection of villages would begin shortly.

Nearly 10,000 ethnic Hungarians from Romania have appealed to Budapest for asylum this year.

Budapest's increasing outspokeness on the plight of the its kith and kin has gone down well with ordinary Hungarians, at time when they face an unpopular austerity programme.

Mr Ceausescu said in April he wanted to cut the number of villages in the country by almost half and instead create "agro-industrial centres".

He said the goal was to level living standards in towns and villages, but Hungary believes the purpose is to resettle ethnic Hungarians in Romanian cities.

Borders to open for Pope's Vienna visit

BY JUDY DEMPSEY IN VIENNA

THE BORDERS between Austria and Hungary will be opened completely during the Pope's visit to Vienna, Mr Alois Mock, the Austrian Foreign Minister and Vice-chancellor said yesterday in Budapest, at the start of an official visit.

Pope John Paul II will visit Austria between June 23 and 26 and it is expected that at least 60,000 Hungarians will travel across the border to see him.

Visa requirements between both countries were dropped several years ago. Since January 1, Hungarians have no longer needed the special exit visas to travel abroad. They can also retain their passports rather than return them to the police authorities on return from each trip.

The new regulations and the increasingly relaxed relationship has led to long border delays, with Hungarians crossing to Vienna for short visits and Austrians crossing to Budapest for cheap dental treatment and shopping expeditions.

REPORT POINTS TO RISKS OF TRYING TO 'FINE TUNE' ECONOMIC ACTIVITY

OECD underlines limits of monetary policy

BY SIMON HOLBERTON

MONETARY POLICY *should* be aimed at sustaining the integrity of the financial system and of preventing excessive volatility in financial markets, a study by the economics department of the Organisation of Economic Co-operation and Development concludes.

The study, which is the result of an analysis of the effects on real economic activity of monetary policy in seven large and *three small OECD* countries, claims that attempts by monetary authorities to "fine tune" economic activity run the risk of having perverse effects on prices and output.

In the aftermath of financial market deregulation, of the decontrol of credit and interest rates, and of the move to floating exchange rates, the OECD study concludes that there are few, if any, verifiable relationships between the operation of monetary policy in the 10 countries and the level of output, employment and prices.

It highlights, however, the importance of the financial markets' expectations of policy to short-run changes in interest rates and exchange rates. Monetary authorities should act in a way which does not create uncertainty about the general direction of policy.

"Monetary policy effects are likely to be most predictable in an environment where the authorities are able to convince market participants that they are pursuing a credible medium-term strategy which they fully intend to stick to," the study says.

> The study concludes there are few empirically verifiable relationships between monetary policy and the level of output, employment and prices.

Its authors are firm in the view that monetary policy should not be designed to take on the responsibility for correcting the cyclical instability of output and employment.

In terms of the regulation of output, the study concludes that the effects of monetary policy are uncertain. There is no consensus among economists as to whether private expenditures have become more, or less, sensitive to changes in interest rates and financial wealth.

On inflation the authors say there is "no strong and reliable" short-run relationship between the growth of money supply and inflation. They note, however, that within the OECD those countries with money growth higher rates tend to have higher average rates of inflation, and this reflects a medium-to-long-term relationship between money and inflation.

Unemployment does not appear to be responsive to monetary policy. This may reflect the weak relationship between money and output in some countries, and output and employment in others. At face value, this suggest that high rates of unemployment cannot be related to the tight money policies which many OECD countries operated in the early 1980s.

Recent research suggests, however, that monetary policy may be relevant for the equilibrium rate of unemployment and that it may exert an asymmetric influence in being more effective in raising then lowering unemployment.

France tackles cash needs of state companies

BY GEORGE GRAHAM IN PARIS

FRANCE'S new Socialist Government is considering allowing state-owned companies to issue more non-voting securities in order to raise fresh capital.

The broad policy is to maintain the status quo: an end to the privatisations already carried out, but no renationalisation of those already privatised.

Several companies which remain in the state sector, however, are in need of new funds in order to finance their expansion programmes, especially their overseas acquisitions. They include the aluminium group Pechiney and the chemicals producer Rhone-Poulenc.

Some of the state-owned banks, although adequately capitalised for the time being, are also likely to need new funding over the next few years to meet the stiffer prudential ratios now being discussed by bank regulators.

There are three options for state companies in need of money, according to Mr Pierre Beregovoy, the Finance Minister: a capital injection from the state; the purchase of an equity stake by another state sector company with cash to spare; or a call on the financial markets.

The Government has announced *that it is maintaining* the relatively tight FFr115bn (£10.7bn) central government budget deficit target announced by Mr Chirac's administration, so direct capital injections from the state appear unlikely.

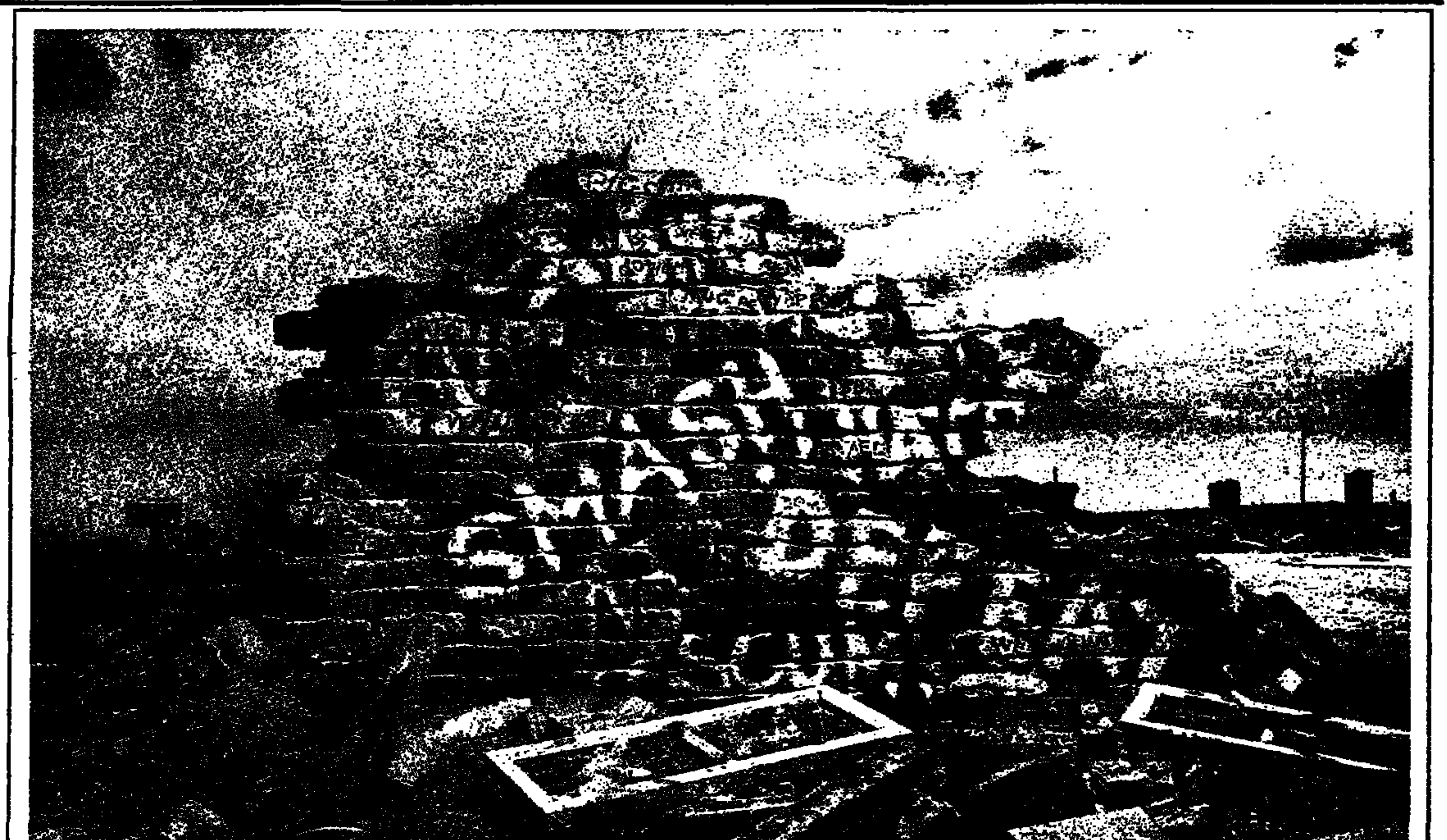
Most of the capital injections over the last two years were financed directly from the proceeds of the privatisations.

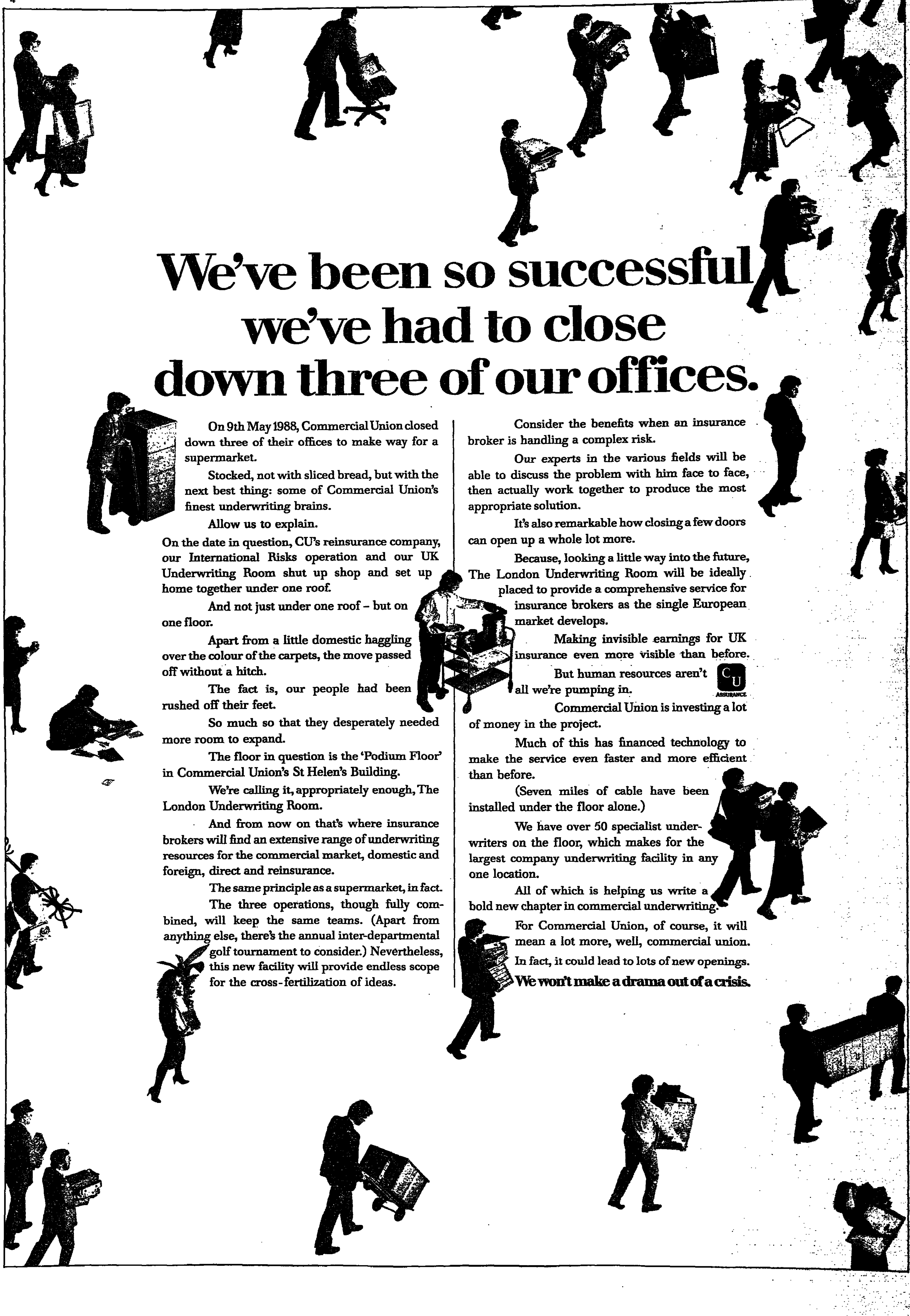
But Mr Beregovoy said yesterday that further issues of non-voting certificates of investment (CIs) could be authorised up to the level of 49 per cent of the company's capital.

State companies were first allowed to issue CIs under the last Socialist Government, but with a limit of 25 per cent of their capital. Following the privatisation legislation introduced under Mr Jacques Chirac, an increase to 49 per cent appears possible without changing the law.

The minister emphasised that authorising a capital increase which could put 49 per cent of a state company in private hands was not at all the same thing as putting 49 per cent of the existing capital on the market.

The first candidate for a fresh issue of CIs is likely to be Rhone-Poulenc, which has spent around FFr20bn in the past two years on capital investments and acquisitions, principally the agro-chemicals business of Union Carbide and the inorganic chemicals *activities of Stauffer, and is* currently engaged through its subsidiary Institut Merieux in a bid for CDC Life Sciences, a Canadian insulin producer.

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Speculation of tighter monetary policy by Fed

BY JANET BUSH IN NEW YORK

SPECULATION is mounting that the US Federal Reserve has decided to tighten monetary policy in an attempt to head off higher inflation.

Fed policy was the major talking point in the US Treasury bond market yesterday, a day which saw the release of contradictory figures on growth and inflation in the first three months of this year.

The bond market's reaction to the figures was confused with traders first responding positively to a downward revision in the GNP deflator, a key indicator of inflation, but then falling in reaction to a strong upward revision in growth to 3.9 per cent from 2.3 per cent reported last month.

There appeared to be some scepticism about the low deflator figure, given a run of figures announced during the period showing steady gains in consumer and producer prices.

Against this background, traders were focussed on a very high Fed Funds rate which the US Federal Reserve made no attempt to bring down by adding reserves to the banking system.

Fed Funds traded at 7 7/16 per cent all morning yesterday and then edged up to 7 9/16 per cent at midsession, their highest level apart from some jumps for technical factors since October 19.

The Fed's failure to operate in the market yesterday morning prompted speculation that, in response to confirmation of rapid growth in the first quarter, the Fed had moved up its target range for Fed Funds and may now be trying to keep Funds at around the 7½ per cent level.

Some bond economists were not prepared to commit themselves to a view on Fed policy until the release late yesterday of the latest Fed figures on reserves.

There were reports circulating in the market yesterday that there had been some problems with the distribution of reserves to several New York banks on Wednesday which had pushed Funds up to 9 per cent. There is a possibility that this technical hitch had put upward pressure on the Fed Funds rate yesterday as well.

Mr Maria Fiorini Ramirez, an economist at Drexel Burnham Lambert, said in her market commentary yesterday morning: "We will wait to see if Fed Funds trade off this afternoon and, if they do not, we would have to conclude that the Fed has tightened to 7½ per cent."

Noriega revels in the role of David to the US Goliath

BY DAVID GARDNER IN MEXICO CITY

"NORIEGA is like a baseball team that has been mathematically eliminated but has to play out the rest of the season" was the sort of comment which tripped from the lips of US officials dealing with Panama until recently, as they sought to explain why the military leader seemed to have acquired an option for innumerable extra innings.

Over the past six weeks, as Gen Noriega has visibly enjoyed the spectacle of US emissaries shuttling back and forth between Washington and Panama City, he seems to have been unable to resist increasing his demands in response to each apparent concession from the Administration.

Thus, last Friday, he publicly demanded explicit US recognition of Mr Manuel Solis Palma, his handpicked civilian president, before substantive negotiations could begin. Earlier, he had insinuated that he would also require the departure of the US ambassador to Panama and his abrasive deputy, Mr John Maisto.

But Gen Noriega's willingness to resist is based not only on a potent survival instinct but on confidence that the three-month crisis has moved in his favour.

Domestically, he has found a level at which the country can subsist despite the ruin of the economy by US sanctions. The opposition, which never had more than bit parts in the drama, has been reduced to the role of spectator. The Panama Defence Forces, galvanised by fears that it would be politically neutered if Gen Noriega were driven out on US terms, has so far backed his attempts to restructure its command and rebuild its cohesion.

Externally, Gen Noriega is revelling in the role of David imperial Goliath, noting the shift of Latin American sentiment against a US seen to be destroying the economy of an allied country for reasons it has never spelt out. Furthermore, he continues to believe that he has supporters in the Pentagon, the Central Intelligence Agency and even the Drugs Enforcement Administration, upset at the wrecking of a vital strategic relationship in the region.

More tenuously, two of his advisers claim Gen Noriega has "explicit information" which could damage Vice President George Bush, the likely Republican presidential candidate, whom the General once described as his friend. Two months ago he boasted that he could determine the outcome of the US election, but subsequently laughed this off as a bit of Panamanian psychological warfare.

Indeed, the situation now seems mired in the two sides' "psy-war" and speculation must now turn to whether Gen Noriega has overplayed his hand.

Panamanian sentiment had turned against Washington because of its inability to get rid of Gen Noriega by the succession of deadlines it kept announcing as the crisis unfolded. Mr Ernesto Perez Valladares, a former Finance and Planning Minister, secretary general of the military-allied Democratic Revolutionary Party and now an outspoken critic of the general, explained that "you're forced to work in support of an unlikeable guy because the US not only closed all the doors (through the drugs indictments) but nailed down the windows (through sanctions). It's getting to the point in the Panamanian mind where the problem is ceasing to be Noriega and becoming the Gringos".

The Reagan Administration now appears to be banking on the Panamanians, and particularly the PDF, concluding that Gen Noriega has foolishly rejected the politically costly concessions it was prepared to make and will turn on him for, as Mr Shultz phrased it, "putting his own interest" ahead of his country's.

Fed's 'dilemma' over cheques

THE PAPER CHEQUE is an expensive form of payment that is overused in today's society and steps should be taken to encourage greater use of cheaper electronic payment methods, Mr Manuel Johnson, Federal Reserve Board Vice Chairman, said yesterday, AP-DJ reports from Washington.

Mr Johnson said that the Fed is faced with a policy dilemma given the popularity of paper cheques and the expense involved in processing them. The remarks were prepared for delivery to a payment system symposium in Williamsburg, Virginia.

This dilemma centres on the appropriate balance between efforts to improve the cheque system and efforts to improve electronic payments services, which cost half as much to process, Mr Johnson said.

The Fed vice-chairman cited two main reasons for "overutilisation" of cheques – the market's failure to allocate the cost of float to the cheque writer and banks' failure to price payments services to promote use of the most efficient payments method.

Mr Johnson predicted that for the foreseeable future, "the cheque will continue to be overutilised."

Given that this is the case, "the foreseeable challenge of the Federal Reserve and the banking industry is, therefore, to develop new processing techniques to migrate the cheque system toward electronics."

He suggested that perhaps the time has come for to establish a "sunset date" for institutions to convert to electronic systems, citing the approach taken recently by the New York automated clearing house in its mandate to New York member institutions to convert from manual tape exchanges to data transmissions by 1990.

Another challenge facing the fed and the banking industry involves reducing the risks associated with large dollar payment networks, Mr Johnson said.

A solution to this problem is currently being debated.

Colombia puts troops on alert

COLOMBIAN armed forces were put on a state of alert yesterday to face possible emergencies caused by peasant protest marches in the north of the country, according to Defence Minister General Rafael Samudio, Reuter reports from Bogotá.

"We have taken all the measures at a military level and have ordered all armed forces to be put on a state of alert to met any situation of emergency," he said, after a meeting of senior army officials in Bogota.

In several provinces of the north, peasants were trying to march on the cities to protest against violence and Government's "neglect" of rural areas.

The situation was especially tense around the oil centre of Barrancabermeja, 300km north of Bogota, where oil industry workers have voted for a two-day strike to protest against the assassination of a trade union leader on Wednesday.

Army officials said the marches were organised by left-wing guerrillas who have blown up road bridges, gas pipelines and electricity pylons near Barrancabermeja and in other parts of the country.

Under the alert, troops are quartered in barracks and army reservists could be called up.

In Bogota yesterday, 40 people seized the Mexican embassy and demanded to talk with the attorney general and directors of the capital's public utility services.

Bogota's mayor Julio Cesar Sanchez said the demonstrators appeared to be students of the National University, where violent incidents last week led the rector to call in the army to check entrance to the campus.

● Panama was elected to the UN Human Rights Commission yesterday, beating Costa Rica in a decisive second ballot after neither candidate received a required majority in the first round, Reuter reports from the United Nations, New York

Panama's success, along with the election of Cuba, which won easily, was considered by some delegates as a rebuff to the US.

Surging exports lift US growth to 3.9%

BY NANCY DUNNE IN WASHINGTON

THE US economy, boosted by surging exports and consumption, expanded by a robust annual rate of 3.9 per cent in the first quarter of the year, the US Commerce Department said yesterday.

The expansion of the nation's output of goods and services far exceeded economists' expectations and the Department's original estimate which put growth at 2.3 per cent.

"The economy is on a roll," said Mr Allen Sinai, chief economist for the Boston Co. "It is amazingly strong and resilient for such an ageing expansion."

Mr Sinai said he was revising his estimate of growth for all of 1988 up to 3.5 per cent. Noting the political implications for November's general elections, he said: "It looks like President Reagan is going out in a blaze of glory on the real economy."

The report immediately fed concerns about inflation and a further tightening by the Federal Reserve Board. Exports of goods and services increased $16.7bn in the quarter, compared with an increase of $2.6bn in the fourth quarter of 1987, producing the sharpest drop in the trade deficit in eight years.

The quarterly trade figures, released by the Department on Wednesday, indicated that the weak dollar had so stimulated exports that the real trade deficit for the quarter fell from $42.1bn to $36.7bn.

Consumer demand and business investment were hearty as well. Capacity utilisation is already running at its highest level in eight years and industrial production was up sharply in April.

Economists are also expressing scepticism about the Commerce Department's lowering of the implicit price deflator, used to calculate the GNP, which fell from 2.4 per cent to 1.7 per cent. They say it considerably understates the quarter's inflation rate and they point to a fixed-weight deflator which rose at 3.6 per cent, as a more accurate gauge.

"The pace of economic growth is much too fast to bring us any relief on the inflation front and interest rates in the short run," said Mr Joseph Carson, an economist at Chemical Bank.

For the short term at least, the report reveals a thriving economy. Real personal consumption spending increased $26.3bn during the quarter, in contrast to a decrease of $16.1bn in the fourth quarter of 1987.

Durable goods purchased increased by 12.2bn; non-durable purchases rose by $3.8bn; and spending on services increased $10.1 bn, compared with an increase of $7.5bn.

Fresh blow for Bush as aide quits

By Lionel Barber in Washington

FURTHER evidence that Vice President George Bush's presidential campaign is in trouble emerged yesterday when his chief spokesman, Mr Peter Teeley, said he intended to resign.

Mr Teeley, a veteran of three national campaigns for the Vice President, accused other Bush advisers of cutting him out of critical decisions and limiting his access to Mr Bush, the likely Republican presidential nominee.

However, it seems equally likely that Mr Teeley, who favoured a more aggressive campaign style to overcome Mr Bush's decline in the polls, lost out to other campaign officials who preferred a "wait and see" approach.

Mr Teeley wanted the Vice President to toe a more independent line from the Reagan administration. For example, he pressed Mr Bush to distance himself from the US Attorney General Mr Ed Meese who faces a string of ethics charges.

Other key Bush aides including Mr Craig Fuller, chief of staff, are said to have opposed Mr Teeley, arguing that to break ranks five months before the November presidential election would smack of panic.

Like Mr Bush, they believe that the precipitous decline in his popularity over the past two months will reverse itself once the press begins to focus on the shortcomings of Governor Michael Dukakis of Massachusetts, the favourite for the Democratic presidential nomination.

Mr Teeley said he intends to stay on as spokesman until the Bush campaign finds a replacement. For the past two months, it has proved a thankless job with Mr Bush becoming increasingly angry about what he believes is negative press coverage.

Optimism on troubled US thrifts

MR DANNY WALL, chairman of the Federal Home Loan Bank Board, told the Senate Banking Committee yesterday that the troubled Federal Savings & Loan Insurance Corporation had adequate resources to cover problems among troubled thrifts, AP-DJ reports from Washington.

His optimistic assessment contrasts sharply with views put forward by other analysts recently. Yesterday, Mr William Seidman, Federal Deposit Insurance Corporation chairman, told the same committee that the cost of resolving the crisis would range between $20bn and $60bn and he suggested that a taxpayer bail-out of the FSLIC would probably be necessary.

Mr Wall told the committee the FSLIC would have about $30bn to help problem institutions in the next 10 years. He estimated that $22.7bn would be necessary to resolve the problems of the 259 troubled thrifts in FSLIC's caseload, plus another 252 thrifts that are insolvent under Generally Accepted Accounting Principles (GAAP) but not insolvent under more liberal regulatory accounting principles.

Based on those numbers, and assuming that other parts of the thrift industry remain stable and assuming neither a big increase in interest rates nor a sharp downturn in other sectors of the economy, the bank board projects that FSLIC has adequate resources in the near term to deal with problem institutions, Mr Wall said.

He told the Senate Banking Committee his board was aware of a recent projection by the General Accounting Office that the costs to the FSLIC for resolving problem institutions could range from $26bn to $36bn. He said the GAO's figures did not undermine the board's position that the problems are managable.

Gadaffi launches peace initiative for OAU summit

BY VICTOR MALLET IN ADDIS ABABA

THE LIBYAN leader, Colonel Muammar Gadaffi, has launched a surprise initiative aimed at reconciliation with Chad and other African countries.

An announcement by Col Gadaffi that he had decided to recognise the Chad Government and to release Chadian prisoners of war received a cautious welcome from Chadian President Hissene Habre.

Col Gadaffi described his offer as "a gift to Africa" when he met African ambassadors in the Libyan capital Tripoli on Wednesday, the 25th anniversary of the Organisation of African Unity.

According to a message sent by Col Gadaffi to the OAU summit in Addis Ababa, Chadian prisoners would be released to be repatriated by the OAU.

Libya has also declared its readiness to restore normal relations with seven other African countries, including Zaire, Ivory Coast and Kenya, once regarded as hostile because of their ties with Israel. Kenya, however, immediately denied that relations were being restored.

President Habre, who is attending the OAU summit, welcomed the offer but warned that the Libyan leader was apt to make contradictory statements. He expressed little enthusiasm for Col Gadaffi's proposal that he should meet the Chadian opposition leader, Mr Goukouni Oueddei, in Tripoli, and he rejected such interference in Chadian affairs.

Chad and Libya were at war last year until an OAU-brokered ceasefire in September, and the Aouzou strip between the two countries is still disputed territory.

A six-nation OAU committee seeking to resolve the dispute decided this week to avoid making a final judgment. The committee chairman, President Omar Bongo of Gabon, said: "I know they (Chad and Libya) wouldn't have agreed to the solution which might perhaps have been proposed." Instead he urged the two leaders to restore diplomatic relations, exchange prisoners and decide between them whether to refer the dispute to international arbitration or to the OAU itself.

At the opening of the summit yesterday President Moussa Traore of Mali, one of the world's poorest countries, was elected by acclamation as the new OAU chairman. He replaces President Kenneth Kaunda of Zambia, who left the job weeping – as is his wont – about violence in South Africa.

Dr Kaunda gave a gloomy assessment of his 10 months in office. "The social and economic position of our continent has considerably deteriorated," he said. "Signs of economic depression are prevalent everywhere."

Third of Afghan farmland 'destroyed'

By Christina Lamb in Peshawar

THE TRUE extent of the destruction of agriculture in Afghanistan, the basis of the economy, is slowly emerging as the Soviet army withdraws from the country.

At least a third of the land has been destroyed. *On the farms that are still worked*, yields have dropped by 35 per cent, mainly because of lack of fertilisers and new seed and because of the destruction of irrigation channels.

The number of cattle has decreased by 55 per cent, the number of goats and sheep by 66 per cent and the number of horses by 45 per cent.

There is an urgent need to find 400,000 to 500,000 pairs of oxen, crucial to the 80 per cent of farmers who rely on them for ploughing and tilling.

The scale of destruction has emerged *from a survey conducted* under the supervision of Dr Azam Gul, former chairman of the Department of Agronomy at Kabul University.

Around 20,000 farmers were interviewed inside and outside Afghanistan by 68 trained Afghan refugees who travelled the length and breadth of the country during the last year.

They found that food production had declined to nearly half the level before the Soviet invasion in December 1979. Dr Gul says: "This is because of the largely unreported war against the agricultural system, involving the deliberate systematic destruction of animals and agriculture in the 80 per cent of the country controlled by the resistance."

One of the most difficult obstacles to the reconstruction of agriculture is the number of mines planted by all parties to the war throughout the country. Dr Gul estimates that between 3m and 5m mines need to be cleared.

Dr Gul estimates that reconstruction will cost between $1.5bn and $4bn and says it will be at least three years before the rural economy can support the population. He warns that if steps are not taken to ensure a gradual repatriation, returning refugees will face *mass starvation*.

At present, however, the refugees show no signs of going home. Ten families from a *camp near Peshawar left* Pakistan a month ago but have returned because they found such destruction in their villages.

Andrew Whitley reports on the forced closure of a Hebrew-language newspaper

Muzzled press becomes Israeli cause celebre

IN DEATH, Derech Hanitzotz has achieved far wider fame than it ever did in life. The bi-weekly Hebrew-language newspaper (claimed circulation 1,500) and its sister publication in Arabic (an occasional print run of *3,500*) never changed hands much beyond the circles of the 1960s-style Trotskyists responsible for their appearance on the streets.

But since the newspapers' forced closure in February and the subsequent arrest of six of their workers – including the Jewish Israeli publisher and editors – on charges that they were working for *an extremist Palestinian organisation*, the case has grown into a *cause celebre* whose ramifications go well beyond the freedom of the press.

Among the issues raised is the willingness of the authorities to tolerate overt political fraternisation between Jewish and Arab dissidents in the midst of the most serious Palestinian uprising for half a century. Another is the growing intolerance being displayed by the Shin Bet security police towards Israel's armchair revolutionary left.

"What is important is the way in which the entire investigation has been handled," said Mrs Felicia Langer, the lawyer defending the Derech Hanitzotz journalists. The six were picked up one at a time over the past three months and reportedly subject to severe interrogation procedures, including prolonged periods of sensory deprivation.

All the while, leaks about their alleged activities were carefully spread in the normally vigilant Israeli press, to assure worried editors that this was a genuine security case.

The whispered accusation that the Jews arrested were all linked to the radical Democratic Front for the Liberation of Palestine – and were therefore undeserving of public sympathy – was planted long before charges were finally brought against four women members of the group this week. A fifth, Mrs Lahav, was released without being charged, complaining bitterly about the treatment she had received.

A press photographer is attacked by an Israeli soldier in the West Bank. Restrictions were later imposed on coverage

A fringe group of Israeli radicals has always flirted with the Palestinian left and with international communism. Politically, the ultra-leftists reached their apogee of national respectability in 1969, winning two Knesset seats. But their anti-establishment platform, based on an end to the occupation of the territories Israel captured in 1967 and a willingness to deal directly with the Palestine Liberation Organisation, was never likely to capture the political middle ground.

The crackdown – on both the extreme left and the Jerusalem-based Palestinian press – began soon after Mr Yitzhak Shamir began his second term as prime minister. The right-wing leader also handles the Interior Ministry portfolio, giving himself direct responsibility *for* all security-related matters inside Israel, including annexed East Jerusalem.

Beginning with the expulsion in November 1986 of Mr Akram Haniye, editor of the popular daily A-Sha'ab, the once lively Arabic-language press has been increasingly muzzled. Today, the four main dailies have been so tamed that West Bank Arabs are forced to rely for news about the unrest in the occupied territories on the Arabic service of Radio *Monte* Carlo and on clandestine Palestinian radio stations.

Since last December at least 30 Palestinian journalists, including *a member of the Derech Hanitzotz* staff, have been placed in administrative detention: imprisonment without trial, or the right of appeal, *for six months*. The weekly Al Awdah, a mainstream, pro-PLO publication, has had its license withdrawn and its sister news agency, the *Palestine* Press Service, has been summarily closed down.

The Israeli press, on balance, *has given a very good account of* itself over the past six months, exposing many human rights abuses by soldiers in the West Bank and *Gaza* Strip. *But it has* been careful to endorse unequivocally the right of the Government to restore its authority over the territories.

Through regular, unpublicised meetings with the powerful editors' committee, the Prime Minister's office has successfully kept coverage of the unrest within safe limits. When the Arabic-language communist daily Al Ittihad overstepped the invisible mark, it was rapped smartly over the knuckles and closed down for a week.

Israelis can always read the views of the foreign press – providing they are willing to pay $2 and over – if they want another opinion. But even here *new curbs* are beginning to take a toll on the quality of day to day reporting. Blanket restrictions on entry by the foreign media into district-wide areas of the West Bank and Gaza Strip have become the norm. After initial protests, the curbs are nowadays grudgingly accepted, confirming the army in its view that firmness with the press pays off.

Mr Yoram Ettinger, the new, right wing director of the government press office, robustly defends the restrictions he has begun to impose on the distribution of material by certain Palestinian organisations. "Someone who wants to cut down a tree has no right to contend that he also wants to enjoy that tree's shade," he said last week. He also justifies the recent suspension of the credentials of two foreign journalists, representing The Washington Post and the US television network NBC, for ignoring censorship regulations.

Philippines reports 7.6% first-quarter GNP growth

BY RICHARD GOURLAY IN MANILA

GROSS national product in the Philippines grew by 7.6 per cent in the first quarter of 1988 compared with 5.5 per cent in the same period last year.

The figure, released by the National Economic Development Authority (Neda) yesterday, follows statistics showing a five-fold increase to 9.3bn pesos ($440m) in investments registered with the government Board of Investment and sharp increases in sales from companies such as San Miguel Corp, the country's dominant consumer group.

The investment figures are distorted by registration of investments that have yet to take place, such as a proposed $220m Taiwanese petrochemical complex.

They show, however, that the economy is still riding a strong consumer-led recovery.

There was also an increase of 11 per cent in private construction spending, mainly in Manila, bankers said.

The increase in economic activity has, however, sucked in imports more quickly than exports have grown. Imports grew by 23 per cent over the previous quarter, mainly due to capital goods and raw material inflows, while exports fell by 4.5 per cent, Neda said.

Meanwhile, finance department officials hinted that the country may turn to its creditor bankers towards the end of the year for new borrowings, principally to meet the expected budget deficit.

Late last year, the Philippines completed a debt rescheduling agreement with its 483 creditor banks covering $12.3b of its $28b debt. At the time the Philippines said it would not need new money until 1989.

The Philippines will pay $1.4bn in debt servicing this year, according to the finance department.

US warning to Singapore

By Roger Matthews in Singapore

THE US warned yesterday that the constant repetition by Singapore of baseless charges against it and its diplomats could only damage relations.

In its strongest statement since Singapore demanded the withdrawal three weeks ago of a US diplomat accused of urging Singaporeans in private to become opposition candidates in the general election, the State Department again strongly denied that it had in any way interfered in Singapore's domestic politics.

"The public campaign being waged by the Government of Singapore and its allegations of wrong-doing are groundless," it said. Attacks on US diplomats were *"gratuitous and unfounded"*.

Brigadier General Lee Hsien Loong, the Minister of Trade and Industry, has again hinted of a plot by the US Central Intelligence Agency and described American interference in Singapore as "blatant".

Boost for Sino-Soviet relations

BY QUENTIN PEEL IN MOSCOW

THE WITHDRAWAL of 50,000 Vietnamese troops from Kampuchea could clear the way for the normalisation of relations between the Soviet Union and China, with a new round of talks to be held next month, officials said in Moscow yesterday.

The sudden announcement of the Vietnamese withdrawal, made in Hanoi, is seen by observers in Moscow as directed more towards improving relations with Peking, than as a gesture for the US-Soviet summit meeting which begins on Sunday.

Mr Mikhail Gorbachev, the Soviet leader, has several times invited Mr Deng Xiaoping, the Chinese leader, to meet him anywhere at anytime, suggesting that they should meet to iron out problems rather than insist that the problems be resolved first.

But Mr Deng has always refused, saying that Moscow had to resolve some major problems, notably Kampuchea, beforehand.

Although there was some scepticism in the West about what the announcement really meant, it was warmly welcomed in Moscow yesterday by Mr Igor Rogachyov, the Deputy Foreign Minister responsible for Asian relations, although he insisted that the Soviet Union had not tried to bring any pressure to bear on the Vietnamese and Kampuchean governments.

He hoped the move, including the withdrawal of the remaining Vietnamese troops to at least 40 miles from the Thai border, would both reassure Thailand, and encourage Peking to open talks with Hanoi on the normalisation of relations.

As for Soviet-Chinese relations, he agreed that these still depended on settlement of the outstanding issue of military confrontation along the Sino-Soviet border. The Chinese Government has always said that normalisation of relations would depend on the removal of the "three obstacles": the Soviet occupation of Afghanistan, Vietnamese occupation of Kampuchea, and the concentration of Soviet troops along the Chinese frontier. Of these, the Chinese have increasingly stressed the occupation of Kampuchea.

Joint peace force pact for Beirut

By Nora Boustany in Beirut

SYRIA and Iran have at last agreed on the intervention by a joint Lebanese-Syrian disengagement and observation force to halt 20 days of bitter and bloody conflict between the rival Moslem Shi'ite factions, Amal and Hizbollah, in the southern suburbs of Beirut.

Mr Nabih Berri, the leader of the mainstream Amal movement, announced in Beirut on his arrival from Damascus that "Syrian Arab forces and Lebanese internal security forces (police) would start deploying in the suburbs as of tomorrow (Friday) to stop the fighting."

An independent Iranian observer said that the Syrian and Iranian heads of state had agreed on a "radical solution to the tragedy of Beirut's southern suburbs" where Amal more than 80 per cent of the battle-scarred slums to the Tehran-backed Hizbollah.

The breakthrough in stalled negotiations involving Amal, Hizbollah, and senior Iranian and Syrian officials signalled an end to the plight of some 600,000 people driven out of their homes by the intensity of combat.

Sheikh Mohammed Hussein Fadlallah, the leading Shi'ite cleric, said the solution was probably "crafted in a manner to save face for all parties concerned" and expressed his belief that the force involved would be mostly symbolic, involving observers rather than troops.

The independent Iranian observer who had spoken with Iranian officials said that a detailed plan had been drawn up to dispatch a "disengagement and observer force" to separate the warring factions.

Hizbollah fighters in the suburbs told reporters they had received word unofficially that no Syrian troops would enter – only "Syrian military observers and Lebanese gendarmes", known in Beirut as the internal security force.

While the specifics of the security arrangements were not spelled out, the formula of observers and police as an initial peace-keeping force, was seen as satisfactory to all sides.

Mr Selim Hoss, Lebanon's acting premier, visited the Syrian capital on Wednesday and is reported to have made an official request to the Syrian leadership to devise a security plan for the suburbs.

Pretoria moves on interest rates

BY JIM JONES IN JOHANNESBURG

SOUTH African bankers have been thrown into confusion by the government's decision to intervene to prevent sharp increases in interest rates.

The decision, taken by the cabinet earlier this week, was disclosed in Cape Town yesterday by Mr Stoffel van der Merwe, the Minister of Information, who said a brake would be put on the rate of increase.

Bankers in Johannesburg say direct intervention could severely distort the economy and would have to involve credit rationing. They add that intervention would be contrary to the Government's own commitment to economic deregulation.

The cabinet's decision appears to be politically motivated and seems to fly in the face of the Reserve Bank's plans for small though frequent increases in rates during the remainder of this year.

At the beginning of May the Reserve Bank moved to cool fast-growing consumer spending by raising the bank rate to 11.5 per cent from 10.5 per cent. This was immediately followed by increases in lending rates charged by the commercial banks.

Sharp rises in consumer spending since the latter part of 1987 sucked in imports which, in turn, narrowed the trade surplus and threatened the country's ability to meet this year's foreign debt repayment commitments.

The Reserve Bank itself has indicated that a further increase in the bank rate is possible towards the end of June, to be followed by another later in the year.

Mr Van der Merwe said speculation on interest rate increases was unhealthy as it could become self-fulfilling.

Dr Gerhard de Kock, the Reserve Bank governor, hopes higher domestic interest rates will persuade importers to use foreign trade finance and that this would relieve pressure on the current account of the balance of payments towards the end of the year.

ANC holds more secret talks

PROMINENT white anti-apartheid South Africans met members of the outlawed African National Congress in strategy talks in a Frankfurt hotel yesterday, Reuter reports from Frankfurt.

White member of parliament Mr Wynand Malan headed the group of seven South African politicians, journalists and academics defying a government ban on contacts with the banned nationalist group.

Mr Malan told reporters on arrival from Johannesburg yesterday that the meeting formed part of a series on talks "with all relevant groups of South African society".

"I don't expect any detailed results from this meeting," he said. Mr Malan is a defector from President P. W. Botha's ruling National Party. He heads the National Democratic Movement, a political grouping that opposes apartheid both within parliament and outside.

Despite government threats to confiscate the passports of dissidents who talked to the ANC, a group of whites met the group's leadership in Dakar, Senegal, last year for the first time.

Mr Malan said he did not expect to resolve all differences his National Democratic Movement has with the ANC.

Mr Stoffel van der Merwe, South Africa's Information Minister, yesterday re-stated Pretoria's determination that 17 restricted organisations affiliated to the United Democratic Front will not be allowed to participate in local elections scheduled for October. The organisations were restricted in February as part of the Government's crackdown on opposition groups.

Some opponents of apartheid, including Mr Malan, say the opposition should take advantage of Mr Botha's limited extension of voting rights to try to take over local and central government, a strategy rejected by the ANC.

Mr Malan said he had met former Progressive Federal Party leader Mr Frederik van Zyl Slabbert on the flight from Johannesburg.

Mr Slabbert, who led the Dakar talks, has held six secret meetings with the ANC this year.

In Johannesburg, Mr Alex Boraine, who helped organise the Frankfurt talks, said Mr Slabbert was meeting the ANC separately.

Mr Slabbert and Mr Boraine resigned their seats in parliament and on the liberal PFP in February 1986 to found a private think-tank, the Institute for a Democratic Alternative in South Africa.

Mahathir assails coalition foes

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, is *moving towards a final break* with his opponents and dissidents within the ruling United Malays National Organisation, Umno, apparently in full control after widespread detentions of Government critics last October.

He has announced that those opposed to his new Umno party or who refuse to join it, will be sacked from the ruling coalition, *the National Front*.

It is estimated that as many as 20 of the 83 Umno members of parliament, including Dr Mahathir's arch rival, Tengku Razaleigh Hamzah, will be expelled.

Mr Razaleigh said the expulsions were "not unexpected" and vowed to continue his fight *against* Dr Mahathir and to revive the old Umno.

The power struggle within Umno, the dominant party in Malaysia since independence, has been protracted, convoluted and bitter, and has split the Malay community down the middle.

It emerged with the resignation of Datuk Musa Hitam, Dr Mahathir's deputy in February 1986, *culminated in the* closely contested Umno presidency in which Dr Mahathir narrowly defeated Mr Razaleigh last April, and has since degenerated into a spate of court suits by both sides.

Dr Mahathir has said he considers that the old Umno party was dead from the time it was declared an unlawful society by the court last February.

He has formed his own party, new Umno, which he maintains is the successor of old Umno.

However, his opponents say new Umno is an entirely different creature from the old Umno. Among other things, the rules of the new party are such that it is almost impossible to defeat the incumbent president, especially if he is the Prime Minister as well.

The Mahathir and Razaleigh factions will clash again this Sunday for the control of the Umno co-operative, Koperasi Usaha Bersatu Malaysia, which has more than $550m in assets.

Japanese industrial output down in April

By Stefan Wagstyl in Tokyo

STEEL and chemicals companies shutting down plant for repairs and maintenance were blamed for a fall of 0.9 per cent in industrial output in Japan in April.

The Ministry of International Trade and Industry said yesterday that the closures were "special factors". The ministry forecast that the May figure would also be down – by 0.7 per cent – because of "Golden Week", a week of holidays.

However, the basic trend was upward. Output in June would rise 1.4 per cent, Miti said.

Yeutter presses for Uruguay talks mandate

BY NANCY DUNNE IN WASHINGTON

MR CLAYTON Yeutter, the US Trade Representative, will seek authorisation from Congress to negotiate in the Uruguay round of international trade talks, even if Congress fails to pass a second trade bill containing that authority.

Mr Yeutter said the authorisation was vital to the success of the round, under the General Agreement on Tariffs and Trade. He would also seek authorisation for US adoption of the new internationally-approved harmonised tariff system.

He tacitly acknowledged the difficulty of getting a second trade bill through Congress this year, just a day after President Ronald Reagan vetoed the first one, which had contained the mandate for the Gatt talks.

Mr Yeutter said a failure by Congress to grant negotiating authority this year might mean a delay in completing the trade talks.

"At some point, our negotiating partners will become frustrated. With the lack of authority, they will pull back. I don't see the round collapsing. It will simply slow down," he said.

Mr Yeutter's plea is not likely to meet with success. There is bitterness in Congress over the President's veto of the bill, which took three years to produce. Senator Robert Byrd, the majority leader, and Senator Lloyd Bentsen, the trade bill's chief sponsor in the Senate, are saying they do not believe the President ever wanted a trade bill.

Senator Bentsen is still hoping to overturn the veto in a vote not likely to happen until after the Moscow Summit. He has, however, acknowledged that he needs three more votes "and I don't know where they are going to come from".

In another action, Mr Yeutter, acting on a complaint filed by Florida citrus growers, has ordered an investigation of Japan's import restrictions on oranges and orange juice.

Mr Yeutter has warned of possible US trade retaliation if the limits are not eased soon.

US presses S Korea to open its markets

By Lionel Barber in Washington

THE Reagan Administration yesterday stepped up pressure on the Seoul government to open its markets and cut its current account surplus.

Mr Charles Dallara, a senior US Treasury official, urged South Korea to liberalise its trade policies, let its exchange rate appreciate against the dollar, and scrap curbs on direct foreign investment.

Mr Dallara's comments to the US-Korea Society in New York amounted to a blueprint for change covering the equity market, agricultural produce, banking, footwear and steel.

He singled out the Seoul's policy of letting the won depreciate, to boost exports. "Korean producers do not need extra advantages to remain competitive in the world economy," he declared.

South Koreans' savings rates had created current account surpluses of $4.6bn in 1986 and $9.8bn in 1987. "This suggests the need for Korea to review its policies."

Mr Dallara noted that the trade imbalance between the US and South Korea had grown rapidly, and warned Koreans against holding to a traditional policy.

Epson hits out in EC anti-dumping row

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

JAPANESE companies are not usually given to strong public protests about moves such as yesterday's provisional anti-dumping action on computer printers.

But Epson, the world market leader in this sector, is a smallish private company with, it explains, somewhat more freedom than most to comment. Yesterday, it was leaving no room for doubt about its anger over the European Commission's decision.

The dumping action made no sense, said Mr Don Pinchbeck, Epson's UK managing director. It was hitting the Japanese even though their prices were higher than those of other South East Asian manufacturers;

It was supposed to be helping European manufacturers which were invisible in the market place; and it would make printers in Europe much more expensive than elsewhere in the world.

Because of the threat of the anti-dumping duties, Japanese printers were already costing substantially more in Europe than, for example, the US – one of Epson's models was selling at a discounted price of £200 in the UK and just $200 (£110) across the Atlantic.

"What is the poor European consumer going to do? We have imposed these highly profitable prices which we don't want to charge because of the anti-dumping case; and now customers are going to have to pay even more."

Epson's reaction underscores the frustration of Japanese companies over the reaction of their trading partners in an industrial sector which they virtually invented at the end of the 1980s.

At that time, the printing business was mainly concentrated on large machines, but the development of the personal computer market created the opportunity for smaller personal units that would copy directly from a screen.

The Japanese, led by Epson, moved into this business, selling on a world scale, and quickly establishing a dominant position. No less than 14 manufacturers have moved into Europe.

The Europeans - and the Americans - were so slow off the mark in this area that their market share today is negligible.

According to the European Commission, the Japanese producers now have 73 per cent of the European printing market, and in the dot matrix printer area where the Japanese specialise, the percentage is probably more.

It has been clear to the Japanese for some time that this success was not regarded kindly in the EC. Well before yesterday's decision in Brussels, Japanese companies had begun to switch a large amount of their production into Europe.

Epson started with a plant in France in 1983, but since the anti-dumping moves began in 1986, the investment drive has become a flood.

"These moves have resulted in a massive restructuring of the European industry," says Mr Al Springsteel, an analyst at Dataquest. "Up to a year ago there were 15 dot matrix printer manufacturing plants in Europe. In the last 12 months, the Japanese have put up another 10."

Mr Springsteel calculates that the UK will eventually emerge as the main beneficiary, in terms of factories and jobs, of this flow of investment.

Epson, which is estimated to have about 30 per cent of the European market, has put down its new plant in Britain, along with NEC, the leading Japanese electronics group, and Panasonic.

Other leading producers are Star, Oki, Brother and Citizen.

Elsewhere in Europe, the main investments have been in West Germany, Spain and Holland.

The speed of this investment has been dictated by the fear that local manufacturing will be no protection against the anti-dumping levies

The Japanese managers are aware they need to increase the local content of their European products to levels where they will not be eligible for import duties. To do that, they say, takes time.

Epson says that if it has to pay duty on its UK-produced products, it will increase its outgoings by about £12m a year.

Boeing wins second 757 airliner order in two days

BY RODERICK ORAM IN NEW YORK

BOEING yesterday won its second large order in two days for 757 airliners, virtually guaranteeing both the success of the model and the demise of its 7J7 project which it had been pursuing with Japanese manufacturers.

United Airlines, the Chicago-based carrier owned by Allegis, said it would buy 30 757s with options for 30 more. They will be powered by PW2000 engines made by the Pratt and Whitney subsidiary of United Technologies of the US. The total value of 60 aircraft, engines and spares was more than $2bn, United said.

American Airlines had ordered 50 aircraft with options for 50 more on Wednesday, all powered by Rolls-Royce engines. American had praised the British engines as the most reliable and efficient for the aircraft.

United said it had chosen Pratt and Whitney engines, however, for a variety of reasons, including commonality of parts since most of its 387-aircraft fleet already use the same manufacturers' engines.

Rolls Royce said it had competed for the order but had no immediate comment on the outcome.

United will finance the Boeing purchase in part by the sale of its McDonnell-Douglas DC 8-71 airliners which it has refurbished and equipped with new engines in recent years. It has an agreement in principle to sell 29 of the aircraft and 14 spare CFM56-2 engines to GPA Group, the aircraft lessor based in Shannon, Ireland.

Mr Stehpen Wolf, chairman of United, said the airline could use more 757s but was unable to buy them until its reduced its cost structure. United, which is the subject of a takeover offer from its pilots' union, is locked in a battle with some groups of its employees to cut costs.

Boeing halted work on its 7J7 project last summer because American Airlines had been the only carrier to show interest in the proposed advanced technology 165-seat aircraft.

Mr Dean Thornton, president of Boeing's commercial aircraft division, said on Wednesday that the company has started a "total rethink" on the project. It has dropped the term 7J7 and refers to it instead as a "new medium-sized jet transport".

A Japanese consortium with a 25 per cent interest in the project will continue to be involved. They include the heavy industry subsidiaries of Kawasaki, Mitsubishi and Fuji.

US modifies its stance on farm subsidies

BY DAVID BUCHAN IN ATHENS

THE US yesterday modified its stance in trade negotiations under the General Agreement on Tariffs and Trade that all farm subsidies be phased out over 10 years, while retaining its goal for long-term reform of world agriculture.

Addressing a congress of European grain traders in Athens, Mr Richard Lyng, US Agriculture Secretary, said the US would like to hear some long-term alternatives to the US plan from its negotiating opponents, chiefly the European Community, in the Uruguay round of the Gatt talks.

He invited the EC to propose a longer phase-out period than the 10 years called for by the US and over which subsidies would be required to be reduced by less than 100 per cent.

Mr Lyng has already hinted that the Administration's position was not engraved in stone and that the US was prepared to be flexible.

The real problem was getting the EC to agree on a long-term goal on agriculture trade.

There was no immediate response to the apparent US olive branch from Mr Frans Andriessen, EC agricultural minister, who addressed the congress after Mr Lyng.

The EC official stressed the community's long-term commitment to its internal agricultural reforms, but stressed that the EC was still more interested in shorter-term solutions on agricultural trade whose "benefits would come sooner rather than later".

A spokesman for the US Trade Representative said the EC's short-term proposals to reduce production did not address the central issues. "We have never been told the European negotiating position and we need to know it."

Gatt fosters freedom in services trade

THE SHAPE of an international agreement to liberalise trade in services is starting to emerge from the Uruguay Round of the General Agreement on Tariffs and Trade. Or so western participants readily assure a still rather sceptical outside world.

They are pinning their hopes on a paper presented to Gatt service negotiators last week by the US, which has drawn negotiators from the industrial world closer together, though it still begs the question of how to draw developing countries into the liberalisation process.

In its paper the US laid out a three-step approach to the liberalisation process, which, in contrast to its previous broad-brush approach, went a considerable way towards reconciliation with the gradualism advocated by the European Community (EC) and other industrial countries.

Under the new US proposal, negotiators would seek first to agree on a general set of rules for liberalising service industries.

Following the US presentation, one European delegate declared that, by taking building blocks from US, EC, Canadian and Japanese proposals, it had become possible to develop a consensus.

This consensus, however, is still confined to the rich countries of the Organisation for Economic Co-operation and Development (OECD). Only lip service has been paid so far to the interests of the developing countries.

The US and its allies want Third World nations to state now which of their services industries they would agree to include in a multilateral agreement. Developing countries want to know the contents of the agreement before they define sectors.

To make it easier for governments not willing to compromise their positions openly at this stage, the US last week suggested that they notify anonymously the Gatt secretariat of those sectors they would like to see covered by the liberalisation process.

A list could then be compiled of service sectors which most governments were prepared to see opened up to international competition.

Development is one of several fundamental unsettled issues that were not dealt with at last week's negotiating session. The others include a crucial issue of definition: should liberalisation be limited to cross-border sales or should it also include transactions that involve moving factors of production, labour or capital, across borders?

The issue of labour movement, in particular, offers a crucial trade-off possibility for developing countries in the negotiations.

For example, the right of Mexican workers to sweep Texas streets or of Korean construction workers to find employment in US or Japanese sites could form an essential quid pro quo if these countries are to open up their home markets to foreign purveyors of financial services.

Last week's meeting thus gave only small justification for Western optimism that progress can be achieved.

Nevertheless, negotiators for the industrialised nations argue that much ground-clearing has been done. Even governments originally hostile to embarking on the project, such as India and Brazil, have become enmeshed in the discussions.

William Dullforce reports on hesitant and deliberate negotiations aimed at bridging the gap between rich and poor nations in an economic liberalisation process

Some are optimistic that they will have a description or outline of an agreement ready for the crucial mid-term review of the Uruguay Round in December. This, they believe, would allow trade ministers to commit their governments to negotiating an accord on services by 1990.

Last week's meeting also discussed papers from the International Telecommunications Union (ITU), the International Civil Aviation Organisation (ICAO) and one on shipping from the United Nations Conference on Trade and Development, detailing existing international arrangements in these three key services areas.

The ITU and ICAO papers left several Gatt negotiators with the impression that these organisations are so entrenched as to be impervious to liberalisation moves.

In telecommunications, a conflict of interests may have been signalled. The ITU's conference to be held at Melbourne at the end of this year aims at adopting a new regulatory framework for all new international telecom services. High-tech services using telecom networks – the so-called enhanced services – are a key target for liberalisation under Gatt.

At some time between now and the mid-term review in December, this activity must jell into an agreed text for a declaration by trade ministers. At the very least that should spell out the balance of interests between the Third World and the industrial countries which negotiators will be expected to achieve in a final agreement.

FT LAW REPORTS

Tax is chargeable on devalued trust investment property

INLAND REVENUE COMMISSIONERS v MACPHERSON AND ANOTHER
House of Lords
(Lord Keith of Kinkel, Lord Templeman, Lord Griffiths, Lord Oliver of Aylmerton, and Lord Jauncey of Tullichettle):
May 19 1988

DEVALUATION OF trust property resulting from an agreement between trustees and a person connected with a potential beneficiary, is chargeable to capital transfer tax if the agreement intentionally preceded an appointment in the beneficiary's favour and so formed part of a scheme to confer a gratuitous benefit on him.

The House of Lords so held when dismissing an appeal by trustees from a Court of Appeal decision that capital transfer tax was payable on a capital distribution arising from an agreed devaluation of trust property.

LORD JAUNCEY said that on June 5 1951 investments were settled on Mr and Mrs Robarts, their children and remoter issue.

By the end of the 1960s a number of valuable pictures had come to be included in the settled property. They were kept in houses owned by Mr and Mrs Robarts. On July 30 1970 Mr Robarts undertook custody, care and insurance of the pictures, and agreed to pay £100 annually for such enjoyment as he might derive from them. In 1975 the High Court approved an arrangement varying the trusts whereby Mr Robarts was permanently excluded from beneficial interest.

After the introduction of capital transfer tax by the Finance Act 1975, the trustees took two steps which gave rise to the present appeal:

First, on March 29 1977, they entered into an agreement with Mr Robarts to vary the 1970 agreement. His liability for insurance and loss of the pictures was limited, and the annual £100 payment was reduced to £40.

Second, on March 30 1977, they executed a deed appointing all the pictures, subject to and with the benefit of the 1970 agreement as varied in 1977, on trusts under which Mr Robarts's son, Timothy, took a protected life interest in possession.

The effect of the 1977 agreement was to reduce the value of that part of the settled property comprising the pictures. It was a perfectly proper transaction for the trustees to make.

The Crown claimed that capital transfer tax was payable by the trustees in respect of the diminution in value of the settled property.

The 1975 Act provided for capital transfer tax to be charged on transfers of value. Section 20(2) provided that a transfer of value was "any disposition" as a result of which the value of the transferor's estate was less.

It was reduction in value to his estate, rather than any benefit to the transferee, which gave rise to the charge.

To remove business transactions from liability, section 20(4) provided that "a disposition is not a transfer of value if . . . it was not intended, and was not made in a transaction intended, to confer gratuitous benefit on any person and either – (a) that it was made in a transaction at arm's length between persons not connected with each other, or (b) that it was such as might be expected to be made in a transaction at arm's length between persons not connected with each other; . . . in this subsection 'transaction' includes a series of transactions and any associated operations."

Paragraph 6(4) of Schedule 5 to the Act charged tax on a capital distribution as on the value transferred by a chargeable transfer.

Paragraph 6(3) provided that when no interest in possession subsisted in settlement property, where a transaction was made between the trustees and someone connected with a person beneficially entitled to an interest, or a person for whose benefit any of the settled property might be applied, and as a result of the transaction the value of the property was less, "a capital distribution shall be treated as being made out of the property . . . unless the transaction is such that, were the trustees beneficially entitled to the settled property, it would not be a transfer of value."

The Crown contended that the 1977 agreement between the trustees and Mr Robarts, being a person connected with Timothy for whose benefit the property might be applied, it was a transaction within paragraph 6(3). It therefore gave rise to tax under paragraph 6(4).

The trustees contended that no charge to tax arose, since the transaction was such that were they beneficially entitled to the settled property, it would not be a transfer of value.

It was common ground that at the time of the 1977 agreement no interest in possession subsisted in the settled property and Mr Robarts was connected with Timothy, a potential beneficiary.

The agreement had the effect of devaluing the settled property. No other step contributed to the devaluation, and so the agreement alone was the relevant transaction for the purposes of paragraph 6(3).

In that situation a charge to tax must arise unless the trustees could bring themselves within the concluding exception in 6(3) ("unless the transaction is such that were the trustees beneficially entitled to the settled property, it would not be a transfer of value"), which in turn involved consideration of section 20(4).

The trustees had to surmount three hurdles before they could successfully assert that the 1977 agreement, if they had entered into it as beneficial owners, was not a transfer of value.

They must show (1) that the disposition was "not intended to confer any gratuitous benefit on any person"; (2) that the disposition was not "made in a transaction intended to confer any gratuitous benefit on any person"; and (3) that it was "such as might be expected to be made in a transaction at arm's length between persons not connected with each other."

The trustees had no difficulty in surmounting the first and third hurdles, since it was conceded that the 1977 agreement was not intended to confer any gratuitous benefit on Mr Robarts or anyone else, and that it was such as might be expected to be made in a transaction at arm's length between persons not connected with each other.

The question was whether the trustees could surmount the second hurdle. They contended that in applying the paragraph 6(3) hypothesis to section 20(4), the only transaction to be looked at was the transaction referred to in 6(3). That was to say that in considering whether the disposition constituted by the 1977 agreement was "made in a transaction", it was necessary to look no further than the agreement, since it constituted both the disposition and the whole transaction. It was therefore unnecessary to consider the extended definition of "transaction" contained in the last sentence of 20(4).

There was no warrant for construing section 20(4) so narrowly in the application of the statutory hypothesis. There was no doubt that for the purposes of paragraph 6(3) the 1977 agreement was the transaction which devalued the settled property. There was nothing in 6(3) or 20(4) to require that the event which resulted in devaluation of the settled property must be looked at in isolation from all other events.

If the extended meaning of "transaction" were read into the opening words of section 20(4), the wording became: "a disposition is not a transfer of value if it is shown that it was not intended and was not made in a transaction including a series of transactions and any associated operations intended to confer any gratuitous benefit . . ."

So read it was clear that the intention to confer gratuitous benefit qualified both transactions and associated operations. If an associated operation was not intended to confer such a benefit it was not relevant for the purpose of the subsection. That was not to say that it must necessarily *per se* confer a benefit, but it must form a part of and contribute to a scheme which did confer such a benefit.

It was common ground that the appointment conferred a gratuitous benefit on Timothy. The appointment would not have been made if the 1970 agreement had not been varied by the 1977 agreement.

It followed that the 1977 agreement was not only effected with reference to the appointment, but was a contributory part of the scheme to confer a benefit on Timothy.

So viewed there could be no doubt that the 1977 agreement, being the disposition for purposes of section 20(4), was made in a transaction, consisting of the agreement and the appointment, intended to confer a gratuitous benefit on Timothy.

Once it was accepted that the statutory hypothesis did not exclude consideration of the appointment, it followed inevitably that the trustees had failed to satisfy the test in section 20(4). The appeal was dismissed.

Their Lordships agreed.

For the trustees: Robert Walker QC and Brian Green (Currey & Co)

For the Crown: John Mummery (Solicitor, Inland Revenue)

Rachel Davies
Barrister

TESCO PLC

(Registered in England No. 445790)

Notice of adjourned meeting of the holders of the £115,000,000 4 per cent. Convertible Bonds 2002

(the "Bondholders" and the "Bonds" respectively)

In accordance with the terms and conditions of the Bonds, notice is hereby given that the meeting of the Bondholders convened for 25th May, 1988 by the notice dated 3rd May, 1988 published in the Financial Times was adjourned through lack of a quorum and that the adjourned meeting of the Bondholders will be held at Tesco House, Delamare Road, Cheshunt, Herts. EN8 9SL, on Thursday, 9th June, 1988 at 3 p.m., for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution:

EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of those of the £115,000,000 4 per cent. Convertible Bonds 2002 of Tesco PLC now outstanding (the "Company" and the "Bonds" respectively) constituted by the Trust Deed dated 25th March, 1987 (the "Trust Deed") made between the Company and Guardian Royal Exchange Assurance plc (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:- (1) generally and unconditionally authorises and gives consent to the Company at any time and from time to time to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) on The Stock Exchange in London of Ordinary shares of 5p each in the capital of the Company for cancellation subject to and in accordance with any authority from time to time granted by resolution of its shareholders PROVIDED THAT the minimum price which may be paid for such shares is the par value of such shares from time to time and the maximum price which may be paid for such shares is an amount equal to 5 per cent. above the average of the middle market quotations therefor as derived from The Stock Exchange Daily Official List for the 10 business days before the purchase is made, in each case exclusive of expenses; (2) sanctions and approves each and every modification or abrogation of the provisions of the Trust Deed and of the rights attaching to the Bonds and each and every compromise or arrangement in respect of the rights of the Bondholders and of the holders of the Coupons appertaining to the Bonds as is or may be involved in the implementation of any such purchases and cancellations; and (3) authorises the Trustee to concur in, execute and do any act, document or thing to give effect to such authorisation, consent, sanction and approval and each and every such modification, abrogation, compromise or arrangement.

By Order of the Board,
M. J. Boxall
Secretary

Dated 27th May, 1988
Registered Office: Tesco House, Delamare Road, Cheshunt, Herts. EN8 9SL

Copies of a letter dated 27th April, 1988 from the Chairman of the Company, giving details of the proposed purchase by the Company of its own shares, are available for collection, and copies of the Trust Deed constituting the Bonds are available for inspection, by Bondholders in each case during normal business hours on any weekday (excluding Saturdays and public holidays) at the offices of Phillips & Drew Securities Limited, 120 Moorgate, London EC2M 6XP and the specified offices of the Paying and Conversion Agents set out below up to and including the date of the adjourned meeting and at the adjourned meeting itself. In that letter, the Company sought its shareholders' and convertible stockholders' authority to make market purchases of up to 74,169,254 of its Ordinary shares subject to the price limitations set out in the above Extraordinary Resolution, such authority, in the case of the shareholders, to expire at the conclusion of the Company's 1989 Annual General Meeting. In the case of the Company's shareholders, this authority has now been given. The Trust Deed provides that such purchases require the consent of the Bondholders by Extraordinary Resolution. The consent contained in the above Extraordinary Resolution will not require annual renewal or be limited to purchases of an overall maximum number of Ordinary shares in order to relieve the Company of the administrative burden of convening further meetings of Bondholders.

In accordance with normal practice the trustee for the Bondholders, Guardian Royal Exchange Assurance plc, expresses no opinion as to the merits of the above Extraordinary Resolution. It has, however, authorised it to be stated that, on the basis of the information contained herein and in the letter referred to above, it has no objection to the form in which such Extraordinary Resolution is presented to the Bondholders for their consideration.

The quorum for the adjourned meeting is two or more persons present holding Bonds or voting certificates or being proxies whatever the principal amount of the Bonds held or represented by them.

The Extraordinary Resolution, if duly passed, will be binding on all Bondholders whether or not they were present or represented at the adjourned meeting and whether or not they voted in favour. To be passed, the Extraordinary Resolution requires a majority consisting of not less than three-fourths of the votes cast in respect of it, whether on a show of hands or on a poll.

A Bondholder wishing to attend and vote at the adjourned meeting in person must produce at the adjourned meeting either the Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bond(s), in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the adjourned meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the adjourned meeting in accordance with his instructions.

Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System or any other person approved by it, for the purpose of obtaining voting certificates or, until the time being 48 hours before the time appointed for holding the adjourned meeting, but not thereafter, giving voting instructions in respect of the adjourned meeting. Bonds so deposited or held will be released (i) at the conclusion of the adjourned meeting or (ii) upon surrender of the voting certificate(s) or (iii) upon the surrender, not less than 48 hours before the time for which the adjourned meeting is convened, of the voting instruction receipt(s) issued in respect thereof and the giving of written notice by the relevant Paying Agent to the Company at its registered office at least 24 hours before the time appointed for holding the adjourned meeting of the necessary amendment to the block voting instruction.

Voting certificates issued and voting instructions given for the meeting convened for 25th May, 1988 will be valid for the adjourned meeting unless the relative procedures referred to in sub-paragraphs (ii) and (iii) above are complied with.

Every question submitted to the adjourned meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the meeting or by the Company or by the Trustee or by two or more persons present holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Bond(s) so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

PRINCIPAL PAYING AGENT AND PRINCIPAL CONVERSION AGENT

The Chase Manhattan Bank, N.A.,
Woolgate House, Coleman Street, London EC2P 2HD

OTHER PAYING AGENTS AND CONVERSION AGENTS

Chase Manhattan Bank Luxembourg S.A.,
47 Boulevard Royal,
Luxembourg

Banque Bruxelles Lambert S.A.,
24 Avenue Marnix,
B-1050 Brussels

Chase Manhattan Bank (Suisse),
63 Rue du Rhone,
CH-1204 Geneva

MAY HAS been something of a bitter month for Northern Engineering Industries (NEI), the Newcastle-based heavy engineering company.

At the same time as it proudly watched the fast-nearing completion of work on its £230m power station project at Rihand in India, it had to stand by while its arch rival, GEC Turbine Generators, put the final touches on a bid to build a lucrative second station on the same site.

A British Government decision last year ousted NEI in favour of GEC as the designated contractor for the second Rihand station. Now, as the first phase of their mammoth project draws towards a successful conclusion, that decision seems all the more unfair to NEI executives.

Yet, as the dust settles on the long tussle between the two companies, it is clear that the whole saga provides a rare object lesson on how companies should manage relations with Government. The UK put £119m of aid into the first phase and is expected to dole out a similar amount for the second.

The received wisdom in industry is that GEC supplanted NEI in Rihand simply through the tireless and consistent lobbying for which it is renowned. In fact that is an over-simplification.

In the early stages of the project NEI was plagued by a succession of difficulties largely outside its own control, but a common thread to most accounts of its experience is that it paid too little attention to the need to nurture smooth relations with both the UK and the Indian authorities.

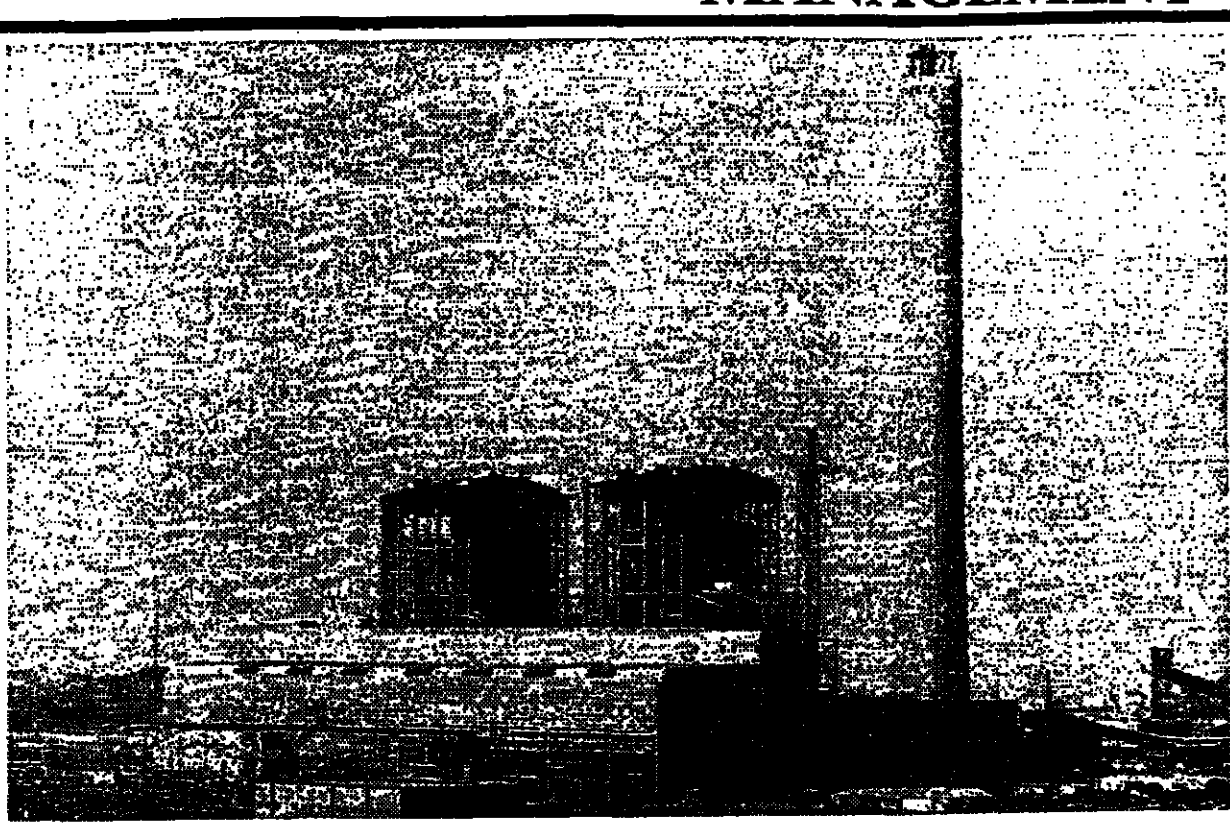
The Rihand site, 750 km south-east of New Delhi, was chosen with World Bank support because of its proximity to coal reserves and a plentiful supply of cooling water from the man-made Rihand lake, although it is 70km from the nearest railhead. There was no infrastructure there when the project started and there is still no telephone connection from the outside world.

According to Brian Nugent, the NEI executive now in charge of Rihand, the water level of the lake changes 20 m between seasons, the boilers had to be 40 per cent larger than normally expected because of the environmental conditions and the coal "is the worst quality we've ever dealt with." Yet none of these mitigating factors played much of a part when delays arose and the UK Government decided to nominate GEC as its chosen contractor for the second station.

That decision, says Graeme Anderson, NEI deputy chairman, "was undoubtedly a political one, and I'm not sure that the advice on which ministers took the decision was altogether sound."

In the event three main factors conspired to upset the company's case:

- NEI was originally pressed to sign its contract with India's National Thermal Power Corporation (NTPC) to coincide with a meeting between Britain's Prime Minister, Margaret Thatcher, and the then Indian Prime Minister, Indira Gandhi, in late 1982. It was a rush-job, the contract was too loosely drawn, agreement was not complete on specifications, and, as a result, it was not until January 1984 that ground was broken on the site.



NEI's Rihand power station in India nears completion — but the company failed to win the contract for a second plant

Anatomy of a power game

Peter Montagnon explains why NEI failed to be chosen to build a second power station at Rihand in India — while rival GEC walked off with the contract

- NEI took a long time to establish a good working relationship with its Indian client. It argued with NTPC over specifications and standards. NTPC was also responsible for civil works on the site and its contractors, over which NEI had no control, ran behind time, adding to the delays.
- Finally, Anderson adds, the whole contract became caught up in domestic Indian politics. Local resentment about the amount of work going to a British company meant that, when it came to the second phase, Indian officials could not actively support NEI as a lead contractor.

To some degree, NEI now admits that these problems were partly of its own making. "We would accept that there were areas within the Rihand project where our management should have been stronger. We have learned more about civil works on this contract than on any previous one," says Nugent. Anderson says the original contract was a hastily drawn one "with more concessions in it than we would have had if we'd been allowed more time." NEI could have paid more attention to its image within the Indian political community, he adds.

Businessmen familiar with the workings of Whitehall say this succession of difficulties put NEI at a major disadvantage. Government officials pride themselves on their objective judgements but they also instinctively mistrust organisations that acquire a reputation for causing them trouble. When selecting contractors, they like winners. At the time when the decision on the second phase was made, NEI, which had irritated the Indian authorities with its performance, simply did not look like a winner.

That is not to say that the decision to choose GEC as the lead contractor was an easy one. Such decisions never are, and officials dislike having to make them. They are politically difficult because there is always at least one disappointed party and they lay the Government open to criticism that taxpayers' money in the form of aid is being set aside for the benefit of one particular company.

Technically, the position of lead contractor is known as "chosen instrument". Being the chosen instrument means that the company concerned is put in an exclusive position. It becomes the sole UK company eligible to claim aid support for the project in question. It may reserve around a quarter of the work for itself and choose the subcontractors for the rest, though it will have to justify its choices to the Department of Trade and Industry (DTI).

In some sectors, such as water and civil engineering, industry itself frequently manages to decide which company shall lead a bid. Indeed, with the first Rihand station, NEI emerged as the lead contractor after negotiations with GEC and Babcock. Given the intense competition between NEI and GEC and the worldwide shortage of work in the power sector this was not possible for the second phase.

Though the Overseas Development Administration increasingly has a say in such decisions, the key department is still the DTI. The "chosen instrument" decision is taken formally by ministers on the advice of the Overseas Projects Board (OPB), which is made up of leading representatives of commerce and industry and is currently chaired by Don Holland, chairman of Balfour Beatty. Yet the OPB itself is heavily influenced by the advice it receives from the DTI, and that is where lobbying comes in.

Bob Davidson, the soft-spoken but forceful Scot who heads GEC Turbines, is reluctant to speak about the Rihand affair, but he does acknowledge the importance of government relations. "It's imperative that we're in regular contact and touch with government at different levels. I don't regard that as lobbying. These are formal discussions surrounding the project."

Certainly few executives used to dealing with Whitehall believe much is to be gained by ingratiating themselves with officialdom through invitations to occasions like Wimbledon, Ascot or Glyndebourne. But, as NEI discovered, it is also not enough to depend for one's image on the quality of final product alone. That reputation has to be cultivated and explained at senior level.

Government officials maintain strict standards of fair play in their relations with industry, but they also expect their interlocutors to present an intelligent case. Personalities, too, inevitably play an important part in forming their perceptions. As one banker with long experience in the field puts it: "Civil servants are highly intelligent people who are open to persuasion. You've got to make sure the case is well argued."

Before the second Rihand decision was taken, both companies were asked to provide a written brief, setting out their case, which the DTI then evaluated with the help of consultants. GEC stressed its track record in the Castle Peak power station project in Hong Kong and the strength of its existing project management team. NEI put in what Anderson describes as "an engineer's submission" stressing the advantage of replication of the first phase from which NEI had gained a wealth of experience.

NEI's fate was communicated to Anderson during a brief meeting in London with Giles Shaw, then the minister responsible. The following day Anderson left for Rihand to tell NEI staff on site what had happened — a task made all the more difficult by the fact that they were confidently expecting the decision to have gone the other way.

NEI says it has learned a lot from this experience. Nowadays it pays much closer attention to relations with government. It reckons to see every new UK Ambassador on his appointment, wherever he is posted. A couple of years ago it recruited a senior DTI official, Ken Binning, to manage its government relations.

That effort is now clearly paying off. Within Whitehall, there is a growing recognition of the way in which NEI turned round the first Rihand project in the end. Despite the difficulties, the power station was capable of transmitting power into the Indian grid only 66 months after the contract was signed. This may compare with an original schedule of 53 months, but it is still six months less than it took in the case of Drax B in Yorkshire which was built in much easier circumstances.

But that realisation has come too late for NEI to lead the second phase. At the end of the day that choice boiled down to the Government's instincts on which company was most likely to win the contract.

Meanwhile, GEC still faces competition for the actual contract from Siemens of West Germany in partnership with Bharat Heavy Electricals of India. Confident though British officials are that they sought to be objective, there could be egg on a lot of faces if the contract were to go to West Germany.

Where are they now? . . . here's where

Michael Skapinker drops in on a reunion of the London Business School's first MBA graduates

ON A WARM evening in London last week yet another Class of 1968 gathered to talk about the year when the world was young and everything seemed possible.

For many of this group, everything was possible. Few look disillusioned, none look disappointed. The bourgeoisie's staying power is no mystery to them. The proletariat's inexplicable desire for credit cards and privatisation shares delights them.

For while the students of Berlin, Paris and London were plotting the destruction of capitalism, this group were thinking how best to profit from it.

They were the first class to graduate from the London Business School with a master's degree in business administration. Twenty years on they came to the Savoy Hotel to sip champagne and reminisce.

The LBS "Class of 68" produced Derek Lewis, group managing director at Grenada, the leisure, retail, media and services group; Seymour Fortescue, director, UK retail services, Barclays Bank; James Arnold-Baker, chief executive of BBC Enterprises; and Vic Rice-Smith, personnel director of Lever Brothers. There was little doubt, however, about who was the star of the gathering: Sir John Egan, chairman and chief executive of Jaguar cars.

He waved dismissively when the others, crowding around, told him that possible dates for the reunion had been juggled to find one which suited him. "You're the only one of us that anyone has ever heard of," one of his classmates reminded him.

How useful has his LBS degree been to him? "The big things that managers had to contend with in those days were low productivity and bad industrial relations and these weren't dealt with," he said. "On the other hand, we had a damn good grounding in finance."

Derek Lewis points out that in 1968 the MBA degree was new to Britain. Few in the class could be certain that there would be jobs waiting for them when they finally graduated. Many suspected that each day's course had only been devised the night before.

And what of those other events of 1968? Had they had any impact on the class? "What else happened in 1968?" Lewis asked. "We were obviously so engrossed in our work."

"We were a conventional bunch, let's face it," one of them said. Alan Melkman, managing director of consultants Marketing Dynamics, recalls that he was the only member of the class who wore jeans, "until the peer pressure got to me."

Perhaps they are a little too hard on themselves. They have not all settled for life at the top of a large corporation, as the autobiographical notes they prepared for the occasion reveal.

David Mahony tells his classmates that he is "resolutely self-employed. The dozen companies on whose boards I sit have only me as their common link. They range from plcs to a two-man band, from very high technology to no technology whatsoever. I have been through four flotations, four receiverships and every point in between."

Own company

Richard Thompson reveals that he lives in Gloucestershire, running Cotswold Communications, a company he owns with his wife. The company, which they started from scratch in 1981, supplies computer systems and other high technology equipment to businesses in the area.

Unlike many of those graduating from business schools today, a substantial number of the group have opted for jobs in manufacturing, rather than consultancy or financial services. John Morris is based in Leicester as sales and marketing director of TI Desford Tubes, a specialist manufacturer of thick wall steel tubes. Michael Southworth is managing director of Spooner Industries.

Bruce Lloyd, on the other hand, spends "more time relaxing and enjoying life." He is a freelance consultant, a member of the executive committees of several small charities, a trustee of the Camden Arts Centre, and chairman of the audit committee of the British Institute of Management. He is the author of many articles, including Corruption — where do you draw the line? and Zen and the Art of Queueing.

"The older I get," he writes, "the more I feel there's so much more to life than making money."

Spoken like a true-child of the Age of Aquarius.

Doubts on industry ability to sustain resurgence

BY NICK GARNETT

THE ABILITY of British manufacturing companies to translate recent improvements in efficiency, output and profits into a sustainable resurgence is questioned by two reports published yesterday.

Interviews with 100 chief executives and managing directors in large and medium-sized companies carried out this year on behalf of PA, the consultancy group, shows that more than three quarters believe a renaissance is taking place.

PA says, however, that an analysis of the response of these managers to questions on their companies' research and development, product strategy and manufacturing technology casts doubts on whether their programmes are good enough to keep them competitive.

The second report, by the University of Manchester and the Science and Engineering Research Council, examines the quality of 24 factory buildings in the UK which have introduced advanced manufacturing equipment and compares them with plants in West Germany, Italy, Sweden and Japan.

British factories are generally older, smaller and more cramped than those abroad, the report says and this seriously weakens the effectiveness of new production machinery.

"In the face of high quality, well-designed facilities in Europe and Japan, there is a real need for new concepts, new facilities and new approaches in the design of facilities for advanced manufacturing technology in the UK," the report argues.

"It seems clear that UK industry should pay much greater attention to its buildings if it wishes to operate effectively in a competitive world."

The PA study is based on interviews with chief executives and managing directors of manufacturing companies, a third of which have yearly sales over £100m and a fifth with sales below £20m.

Of these, 79 said they believed British manufacturing was going through a renaissance and 8 per cent said it was in decline, with the rest undecided.

PA uses the replies to pay tribute to real improvements made by these companies, including more efficient manufacturing, more aggressive marketing and better labour relations.

These were all genuine achievements the report argues. The confidence of these companies is now so strong that the majority saw overseas manufacturers setting up in the UK as beneficial and there was little fear about the long-term impact of the October stock market slide.

Ministry accused on Trident plant delays

Financial Times Reporter

MPS from all parties yesterday severely criticised the Ministry of Defence for "demonstrably inaccurate" evidence on the construction of a nuclear complex for the production of Trident warheads.

The Defence Select Committee also attacked the MoD's "lack of frankness" over severe delays in sonar equipment development for Trident submarines.

The criticisms came in a committee report on the Trident programme which Mr Martin O'Neill, Labour's defence spokesman, described as "a sorry tale of mismanagement."

The MoD had told the Select Committee in January 1986 that construction of new facilities at atomic weapons plants was progressing satisfactorily.

But when giving evidence before the Committee two months ago, MoD officials admitted the Aldermaston A90 complex – originally scheduled for service this year – would not start production until the end of 1992.

To supply warheads for the first Trident submarine, HMS Vanguard, due in service in 1994, much greater use would have to be made of an existing plant from the Polaris era, adding up to £10m to the programme costs, said the report.

On development of sonar equipment, the report said: "For three years the Government has made reports on the progress of the sonar suite which did not include important facts about serious problems and delays which had arisen. This is unacceptable."

Inner-city groups challenged

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

AN ATTACK on the handling of inner-city regeneration by the London Docklands and Merseyside Development Corporations came yesterday from the National Audit Office, Parliament's public spending watchdog.

Both the corporations are accused of lapses of management control, and the Department of the Environment, which oversees them, is told that it should monitor their planning procedures more closely.

The London Docklands and Merseyside corporations, the first of their kind, were set up in 1981. They play a key role in the Government's strategy to rejuvenate inner cities.

Among the lessons the Audit Office has drawn from the London and Merseyside experiences is that, if urban development corporations are to work properly, they need to be large enough for effective planning.

In its discreetly worded report, it urges the Department of the Environment to strike a balance between leaving development corporations free to pursue day-to-day management and effectively controlling the use of public funds. The need for firm control "is all the greater with the recent increase in the number of UDCs and the extra funds allocated to regeneration."

"Department of the Environment: Urban Development Corporations - report by the Comptroller and Auditor General; May 1988; HMSO; £4.80.

Cricket appeals for a wider audience

THAT MOST traditional of English sporting bodies, the Test and County Cricket Board, wants to be a player in the new commercial world of satellite and cable television, Raymond Snoddy writes.

In the Pavilion Long Room at Lords, the spiritual home of cricket, amid ancient portraits and bats of famous amateurs such as W.G. Grace, the administrators of the English game yesterday unveiled a very commercial plea for the "privatisation of the cricket on television."

The board has sent a report to Mr Douglas Hurd, the Home Secretary, bemoaning the fact that Independent Television does not show cricket as part of its regular programming, giving the BBC a monopoly which it strives to maintain against all comers – such as Channel 4.

"Thus cricket finds itself operating in, in effect, a closed nationalised market. If it wants to go on television it has to go on the BBC. If viewers want to watch it, it has to be on BBC," the board has told the Home Secretary.

The board, therefore, wants to be a partner in the operation of any fifth channel decided by the Government.

It also wants to talk to all the operators of new cable and satellite channels, as well as the BBC and ITV, to discuss how cricket should be televised when the present three-year contract with the BBC, worth about £1.2m a year, runs out at the end of the 1989 season.

"We believe strongly in the liberalisation of television and we hope that over the years we will get a very sensible and adequate financial return back to the game for us to maintain the standards we believe are essential," Mr Bernie Coleman, chairman of the board's television working group, said yesterday.

Coming so soon after British Satellite Broadcasting's plans to buy first rights to television coverage of British football matches the report, delivered by hand yesterday to Mr Marmaduke Hussey, chairman of the BBC, and Mr Michael Checkland, his director general will seem like a very fierce bouncer.

UK NEWS

Building societies warned on plans for future status

BY DAVID BARCHARD

MR PETER LILLEY, Economic Secretary to the Treasury, yesterday reinforced warnings to building societies to proceed cautiously when considering conversion into limited companies.

Speaking at the Building Societies Association annual conference in Torquay, Mr Lilley said borrowers and lenders should not be "unfairly induced" into supporting the change.

It appeared to be a reference to suggestions that building societies trying to convert might offer their members some kind of financial incentive to vote for it. A change would have to be approved by 75 per cent of the voters in a ballot in which at least 20 per cent of all members took part.

Mr Lilley said he believed there could be a continuing future for mutual societies and he cited the example of the life assurance industry in which mutual and limited companies existed side by side in the market.

His words, coming only 24 hours after a similar warning by Mr Michael Bridgeman, head of the Building Societies Commission, are bound to raise questions about the Government's attitude to building societies shedding mutual status.

Mr Lilley reaffirmed the Government's formal neutrality on the issue but the warnings are bound to give some of the likely candidates for conversion pause for thought. So far, only the Abbey National has announced plans to become a company.

Mr Tony Stoughton-Harris, BSA chairman, told the conference that building societies had regained a 70 per cent share of the mortgage market, compared with less than 50 per cent in the middle of last year.

He expected building societies would lend more than £50bn this year, 50 per cent more than in any previous year, and his speech reflected a current surge of confidence among building societies about the prospects for the movement.

"It is virtually certain that there will be a record level of net receipts this year," he said. However, he felt the Government had not gone far enough in easing the limits on unsecured lending.

Banks move to blacklist serious loan defaulters

By David Barchard

CUSTOMERS who default on loans from eight high street banks and their affiliated credit card organisations are to be reported to the UK's three leading credit reference agencies, under an agreement to be announced today.

A blacklisting with the three agencies – Infolink, CCN Systems and Westcot Data – will make it difficult or impossible for the individuals concerned to obtain any further credit from other lenders.

Mr Brian Walter, of Midland Bank, said: "This new arrangement will not affect customers who may have payments problems but are in regular contact with their bank.

"It is intended only for cases where there has been an irretrievable breakdown in the relationship between the bank and its customers and we envisage that the number of persons being reported will be very small indeed."

The banks have agreed with the Data Protection Registrar that, before anyone is reported to the credit agencies, the individual an individual will be given at least 28 days' warning and the opportunity to repay debts.

Nick Garnett reports a resurgence in Britain's capital goods and equipment sector

Manufacturing recovers - but could do better

THE 44 British companies manufacturing paper-making machines and other equipment used in paper mills, this week announced something that is becoming increasingly familiar. In yet another sector of engineering, sales and output are rising.

Manufacturers in the British Paper Machinery Makers Association notched up record sales of £134m last year, up from £119m in 1986. More than half came from exports.

On its own, that is hardly much to shout about, but it underlines a view the City usually expresses these days.

Ask most City analysts and they will give you a rosy picture of the state of medium and heavy engineering in the UK.

According to this view, production is increasing, profits are pretty good, the unions are beaten, investment is going in and there is a new breed of manager.

The trouble is, that picture fails to take account of the downside: the way output in France and Italy has passed the UK's in a number of sectors since the start of the 1980s, the general failure of the UK to recoup market share against West German market leaders and a continuing dearth of investment in new plant and extra production capacity.

At first sight there are a lot of statistics to back up the picture of UK engineering coming out of the doldrums.

Britain is now probably the biggest farm tractor maker in Europe, and the North American companies that have put it in that position are having their busiest production period for years. Ford at Basildon is operating at almost full capacity. Massey-Ferguson at Coventry built 65,000 tractors and tractor kits last year, the biggest volume by far since 1984.

Machine tool companies suffered sketchy demand last year but in October demand took off. Managers at Bridgeport, a Leicester manufacturer of milling machines and machining centres, say it is "bursting at the seams."

Matrix-Churchill, a Coventry manufacturer and assembler of lathes and machining centres is expecting to increase cash sales this year by almost 40 per cent on the £26m of 1987.

A lot of the increase has come from domestic demand. On the same theme of investment, Mr Bob Bischoff, head of the UK operation of Jungheinrich, the West German lift truck and materials handling company says demand in the UK "has gone absolutely mad."

The construction boom in the UK, together with strong markets in France and Spain, is having a big roll-on effect on Britain's manufacturers of construction machinery. Some of the weaker members of the fraternity are still restructuring and reducing their labour forces but most companies are enjoying very buoyant sales.

Ask an analyst where lost market share is being regained, and there is a long silence

J.C. Bamford, whose main product is the backhoe loader, is showing extraordinary growth, increasing unit output last year by a quarter to about 12,500 units.

Even though JCB depends on exports to dollar-sensitive North America for 20 per cent of sales, Mr Gilbert Johnson, the company's managing director, says the company is budgeting to increase sales this year by another 25 per cent and for profits to rise.

It is much the same story in diesel engine building as worldwide demand for the machines that take such engines recovers from the depressed levels of the mid 1980s.

Output at Perkins in Peterborough rose last year to 150,000 complete engines and 87,000 kits. Mirlees Blackstone, a manufacturer of very big diesels from 1200 to 13,000 kW, has its biggest ever order book.

Hawker Siddeley, the last remaining British heavy and medium engineering company that has not diversified substantially into electronics, is a frequent target for City criticism.

But orders at the company, which employs 23,000 people in the UK and had total sales last year of £1.7bn, are running 10 per cent above last year's levels. Its battery, forgings and signalling businesses are not having a very happy time but the company says most of its product areas such as switchgear, small transformers, industrial semiconductors, diesels and rail equipment have healthy order books.

Many companies in medium engineering now export to Japan. Hawker does so with small motors and equipment for rail-cars. Weir, the Glasgow-based pump maker, has recently won a big order to supply Mitsubishi. Toshiba last year set up a large purchasing office in England to buy British and EC power station equipment.

Ask an analyst, though, where Britain is really regaining lost market shares to our main European competitors and there is usually a long silence.

Motor components might be one area. Earth-moving and farm machinery might be others but there are not many.

Aerospace has now taken over from vehicle building as the main demand motor for many equipment supply sectors. That is why some machine makers are frightened of the long-term consequences of British Aerospace's plan to source components from outside the UK because of the dollar.

There is also the issue of value added. For example, Britain made about 40,000 units of mobile construction machinery last year against 30,000 in West Germany, according to Plantecon, an industry analyst. The value of German sales was much higher, however, partly because it sells higher-value products.

The view that enough investment is taking place is absurd. There are many excellent plants in the UK but far more that are in old buildings with inferior production machines. Many of them are a disgrace compared with those in use by competitors in West Germany and Sweden.

A continuing complaint of factory managers is that they cannot get approval from head office for investment they think they need and they are frequently hamstrung with tight payback times.

A common sight is that of designers working on expensive computer-aided design facilities which a company has to have, but in a 1930s office with lino and no carpet on the floor.

The UK trade balance in heavy and medium engineering has fallen from about £8bn to £3.5bn in the past eight or nine years. At least having a balance is in marked contrast to the electronics and many consumer goods sectors where British performance has been so poor.

Overseas aid falls to 0.28% of GNP

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN'S official overseas aid as a proportion of gross national product fell to a new low of 0.28 per cent last year, according to figures released by the Overseas Development Administration.

That compares with 0.32 per cent in 1986 and, according to the World Development Movement, an aid lobby group, the UK has now slipped from fifth place to sixth for aid spending among the seven richest industrial countries.

Mr Christopher Patten, the minister for overseas development, said the ratio reflected the strong growth in the UK economy last year. In absolute terms the UK aid budget was now growing and it was planned to be 5.7 per cent higher at £1.38bn in 1988-89.

Total UK aid spending was the fourth largest in Europe and the fifth or sixth largest in the world, he said, although the precise ranking depended slightly on how Italian figures were interpreted.

However, UK aid spending as a proportion of GNP is now little more than half of the figure for 1979 and far short of the target of 0.7 per cent set by the United Nations for industrial countries.

Mr John Mitchell, director of the World Development Movement, said the figure was "an indelible stain on the record of the Government." He said that aid spending should be raised to at least the level of 1981, the second full year in office of the present Government, when it was 0.43 per cent of GNP.

New Liffe chairman seeks closer ties with Continent

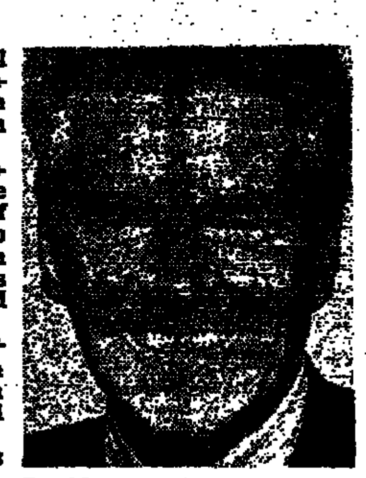
BY DOMINIQUE JACKSON

THE LONDON International Financial Futures Exchange yesterday elected Mr David Burton to succeed Mr Brian Williamson as its chairman.

Mr Burton, an executive director of S.G. Warburg & Co, said he intended to raise the profile of Liffe in the City of London and to work towards co-operation with continental European futures exchanges ahead of the unified EC market in 1992.

Mr Burton is Liffe's third chairman. He has been associated with the exchange since its inception and was a member of the original working party in 1980.

For the last five years he has been chairman of Liffe's membership and rules committee. A restructuring of present membership would be among his priorities in his new position, he said.



David Burten: Planning to restructure Liffe's membership

Mr Nicholas Durlacher, of Barclays de Zoete Wedd Futures, and Mr John Edwards, of Bailey Shatkin, were appointed deputy chairmen.

Underwriting room for CU

BY OUR FINANCIAL STAFF

COMMERCIAL UNION, the composite insurer, aims to exploit the European Community's moves to create a free internal market by setting up an open-plan underwriting room in its head office building in St Helen's, Undershaft, in the City.

The room, due to open for business officially today, will house 50 underwriters, mainly offering commercial property and liability insurance.

The idea is to attract business from insurance brokers by giving them the kind of free access to underwriters for which the Lloyd's underwriting room in Lime Street is famous.

CU believes its room will help it to take maximum advantage of new business flowing into London.

OBITUARY

Joe Hutton: FT journalist

MR W.H. (Joe) Hutton, who died at the weekend aged 68, was one of the journalists who formed the backbone of the FT during its rapid expansion in the post-Second World War years. His 46 years of employment from 1938 to 1984 were broken only by a period of war service.

Joe Hutton joined the Financial News on August 8 1938 in the prices department, then under the strict rule of A.L.W. Shillady. He rejoined the newspaper, now merged with the FT, after the war as a sub-editor and later worked in Company Comments.

In the late 1950s Joe took over from Mr Bill Roger as Surveys Editor, a post he was to occupy for more than 20 years. This area of the paper was to expand swiftly during the 1960s to its peak of some 1,500 pages a year.

During this time Joe exhibited a constant unflappability in the face of regular production crises.

As Surveys Editor he also developed a sure technique for handling relations with the advertising department, and an enviable way of dealing with the more persistent of advertisers' public relations personnel. His classical education and fund of erudition gave him a mastery of the conversational put-down ("Fresh *woods* and pastures new', *not fields, old boy*"), while proving invaluable to colleagues who were stuck either for a headline or for the answer to a crossword clue.

At the end of the 1970s Joe was happy to move aside in favour of younger colleagues, remaining in the Surveys department until he retired. He will be remembered with affection.

UK NEWS

Media told to hand over Wapping pictures

NEWSPAPERS and television companies were yesterday ordered to hand over unpublished film and photographs of a violent demonstration in January last year during the dispute over News International's Wapping plant in London.

Making the order in a High Court sitting at the Old Bailey, Mr Justice Alliott said it was in the public interest that the material should be made available to a Northamptonshire police team investigating more than 440 complaints and allegations about police behaviour.

The Independent, Observer, Mail on Sunday, ITN, Thames Television and four freelance photographers had opposed the application by Det Supt David Wyrko, investigating the allegations on behalf of the Police Complaints Authority.

They argued that the safety of cameramen and photographers would be increasingly at risk if they were seen as agents of the police automatically handing over material. It would also compromise the freedom and independence of the press in Britain.

Mr Wyrko said he believed the unpublished material would help "establish the truth" of what happened that night.

Mr Justice Alliott said he "wholeheartedly supported" a free and independent Press and he did not believe his order would undermine that. Mr Wyrko's application was "far from a fishing expedition" as he believed all the material he wanted had been taken at crucial times during the violence by people near to it.

It was in the public interest that Mr Wyrko should have access to it, the judge said.

Levelling-off in school exam passes worries MPs

BY DAVID THOMAS, EDUCATION CORRESPONDENT

CONCERN at the failure of exam results in Britain's schools to improve since 1983-84 was expressed yesterday by the Commons select committee on education.

The committee demanded an explanation from the Department of Education and Science in a report on the Government's spending plans which showed considerable unease about key aspects of Britain's educational system.

The report pointed to a steady increase in the proportion of children achieving 5 or more O Level or CSE passes from the mid-1970s to the early 1980s, but said there had been little improvement since. It called on the Government to publish other performance indicators by which progress in Britain's educational system could be judged.

However, the DES yesterday rejected the suggestion that the trend of improving standards had been halted. It said the earlier improvements had arisen because more children were being entered for exams.

The all-party committee, which has a majority of Conservative MPs, also urged the Government to ease "the very tight constraints on the current level of science research."

The report concluded: "The present level of funding is causing difficulties in the scientific community. The proportion of top-quality research project applications which the research councils are unable to fund is disturbingly high."

It warned of growing worries that the pool of qualified scientists and engineers from which industry draws will in future be inadequate because of the impending decline in the number of young people entering the labour market.

The committee questioned some aspects of the Government's educational planning. It asked the DES to publish projections of the balance between university and non-university higher education in the 1990s in order to plan for demographic changes.

Noting that 1,610 schools had closed in the 1980s, the report also urged the Government to issue each year its expectations of the numbers of schools, school places, pupils and teachers for the following year.

The committee dismissed as both unrealistic and undesirable government projections of a more than 60 per cent cut in capital spending in the non-university higher education sector this year, compared with last.

It also called on the DES to say how it intended to conform with the Government's policy of hiving off work from Whitehall Ministries into independent agencies.

Report on Department of Education and Science and Office of Arts and Libraries Expenditure Plans 1988-89 to 1990-91. HMSO. £10.80.

Teachers' pay, Page 15

Review for race equality grants

BY ALAN PIKE AND DAVID THOMAS

MR DOUGLAS HURD, Home Secretary, yesterday announced a review of grants made to local authorities to help to overcome racial disadvantage.

The move comes after publication of two reports into the Development Programme for Race Equality (DPRE) in schools in the London Borough of Brent, which became the subject of national controversy when Ms Maureen McGoldrick, previously a head teacher in Brent, was accused of racism in 1986.

Mr Hurd said it was time to look again at the criteria and procedures by which such grants are made under section 11 of the Local Government Act.

Grants amounting to about £100m are made under section 11, with 80 per cent of the expenditure devoted to education.

The Government says it wants to retain special arrangements for financing the needs of ethnic minorities arising from racial disadvantage, particularly in the inner cities. But it will look at how that is done, including possible alternative methods of financing and the need for clear objectives and "a framework within which efficiency and effectiveness can be measured."

Mr Hurd ordered an investigation into the Brent scheme in December after complaints that it should not qualify for section 11 funding.

Douglas Hurd: Time to re-evaluate criteria for grants

In his report, Sir David Lane, a former chairman of the Commission for Racial Equality, says that after a bad beginning the scheme is now making a positive contribution. The Government will allow it to continue subject to "extensive undertakings" about the way it is run. It will demand independent monitoring.

Sir David describes Brent's concern to tackle racism and discrimination as admirable, but warns that damage can be done by "blinkered and insensitive zealots" campaigning under the banner of anti-racism.

The tenor of Sir David's conclusions are echoed in a report by the Department of Education and Science's inspectors of schools on Brent's race equality programme, also published yesterday.

The inspectors found that the work of Brent's DPRE staff in classrooms was mostly of sound quality and addressed the needs of ethnic minority pupils within the normal curriculum. The scheme's staff were appropriately qualified and experienced.

However, the inspectors also concluded that in-service training of the DPRE staff and the project teams associated with the scheme was not wholly effective. They made a series of recommendations for improving the scheme.

Brent's Development Programme for Racial Equality in Schools. Home Office, 50 Queen Anne's Gate, London SW1H 9AT. The Development Programme for Race Equality in the London Borough of Brent. DES Publications Despatch Centre, Honeypot Lane, Canons Park, Stanmore, Middlesex HA7 1AZ.

Monopolies body to study atomic energy agency

By David Churchill

THE EFFICIENCY of the UK Atomic Energy Authority is to be investigated by the Monopolies and Mergers Commission as part of the continuing programme of nationalised industry audits.

The investigation was announced yesterday by Mr Kenneth Clarke, Trade and Industry Minister.

Mr Clarke confirmed that the London Underground would be investigated once the King's Cross disaster investigation was completed. The Northern Ireland Transport Holding Company is also to face an efficiency audit as well.

These audits will be carried out under section 11 of the 1980 Competition Act to determine whether or not nationalised industries and other public sector bodies are carrying out their activities in an efficient manner and are not abusing their monopoly power.

The investigation of the UKAEA will look at all aspects of the authority's activities.

Mr Clarke said he expected shortly to publish the report on the efficiency of Post Office counter services.

Heads named for university funds body

BY DAVID THOMAS

THE GOVERNMENT has opted for continuity in its choice of the people to head the new council that will oversee university funding once the Education Reform Bill becomes law.

Sir Peter Swinnerton-Dyer, a former vice-chancellor of Cambridge University, was yesterday appointed the first chief executive of the Universities Funding Council.

Sir Peter, aged 61, has been closely identified with the policy of concentrating resources on departments identified as centres of excellence, a policy which has been adopted by the University Grants Committee. He has been committee chairman since 1983.

The new council will replace the UGC, which did not have statutory powers. The precise way in which the Government will channel funds to the funding council which will in turn pass them to universities, has yet to be spelt out.

Lord Chilver, vice-chancellor of Cranfield Institute of Technology since 1970, was also named yesterday as the funding council's part-time chairman.

Lord Chilver, also 61, has sat on numerous official bodies and commissions and is viewed as having good contacts with industry. He will be leaving Cranfield before the funding council is established.

The funding council will come fully into operation next April, although Sir Peter and Lord Chilver are likely to begin preparatory work before the end of the year.

Sir Peter will be paid £61,880 a year and Lord Chilver will be paid on the same basis for one to two days' work a week.

BT sets up consumer panels nationwide

By Hugo Dixon

BRITISH TELECOM'S latest ploy to improve customer relations was announced with much funfare in London yesterday. It is the consumer liaison panel.

The panels are discussion groups where employees and customers can resolve tricky issues, explained Mr Iain Vallance, BT chairman. There are already eight pilot panels and, because of their success, the scheme is now going nationwide.

There is no question of paying panel members, as that would compromise their independence. Only the chairmen, who are "appointed by and independent of the company," are paid, while the inducement to ordinary members is limited to the free loan of a Prestel set.

Ms Jan Walsh, who runs the project, said the Prestel set enabled BT to operate the first consumer liaison panels in the world that could communicate with each other electronically in between the bimonthly face-to-face meetings.

Mr Vallance said: "Panels are not captive bodies of BT." However, he emphasised that they were not intended as pressure groups.

That was a point readily assented to by Mr Brian Bell, who sits on one of the telecom advisory committees, the real pressure groups, as well as the Warrington panel. He said: "The atmosphere is very different from advisory groups, where we are on the defensive."

What is more, because panel members do not deal with individual consumer complaints – simply matters of policy – BT takes no steps to make its customers aware of who are the panel members in their area.

Asked about the pilot panels' achievements, one woman member said yesterday she had taken the Leeds operators to task for calling her "luv." Now they call her "Madam."

Business choice 'to be Mercury'

By Hugo Dixon

LARGE BUSINESSES will switch to Mercury Communications from British Telecom in increasing numbers as a result of lower costs and a better-quality network, according to a survey published by James Capel, the stockbroker.

The survey of 100 businesses with an average annual telephone bill of £3.5m was conducted last month. It shows that 84 per cent of companies expect to use Mercury, up from 48 per cent now.

Mercury scored higher than BT on performance in each of the categories telephone managers were asked about.

On the basis of this survey, Capel is predicting that Mercury will have captured 7 per cent of the UK telephone market by 1992. As a result, Mercury, which has yet to report a profit, should be earning operating profits of £260m in 1992.

Single property ownership trusts meet tax obstacle

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

PLANS to introduce single property ownership trusts as a new medium of investment on the Stock Exchange are likely to be abandoned.

The Barkshire Committee representing companies and institutions involved in the property industry, which has been sponsoring the investment vehicle, has failed to reach agreement with the Inland Revenue on tax arrangements.

That means that a new property investment market, likely to start with offers for sale to the public this year, can only begin in truncated form. The plan was that three vehicles would be offered – single asset property companies, property income certificates, and single property ownership trusts.

Since last year, after the passage of the Financial Services Act, negotiations have been taking place on the regulatory framework for the new market with the Department of Trade and Industry, the Inland Revenue, the Securities and Investments Board and the Stock Exchange. The final drafting of DTI and SIB regulations is nearly complete. The Stock Exchange has published its listing requirements.

Although the DTI supported the Barkshire Committee in its sponsorship of single property ownership trusts and had inserted an amendment in the Financial Services Act to permit their introduction, the scheme has fallen foul of the Revenue.

The Barkshire Committee believes that the trusts would only be an attractive form of investment if they are tax-transparent – that is, taxation would apply only to the income of the trust investor, not to the trust itself.

While the Revenue has been prepared to accept that for income, it has not been prepared to grant tax-transparency if a trust should make a capital gain, through the sale of the property.

The Revenue evidently fears that if it were to grant such a concession to single property ownership trusts, it would come under pressure to apply it to unit trusts. It has not been convinced that the new trust is exceptional simply because it deals with the collective ownership of one property.

Although the 60 members of the Barkshire Committee are now talking among themselves about the next steps they could take, the indications are that they feel the tax difficulties are now insurmountable and that the introduction of the trusts will be delayed indefinitely.

The tax difficulties on the trusts do not apply to property income certificates. The PINCs Association, another grouping of companies and institutions in the property industry, has received written confirmation from the Revenue that both income and capital gains for its vehicle are tax-transparent. Single asset property companies would be taxed like any company.

Whitehall brushes up its sweet tooth tables

By Simon Holberton

HOW THE Civil Service and its colleagues in local government managed to consume £95m worth of sweets and ice cream in 1984 is not known with any degree of precision, but apparently they did, the Central Statistical Office reported yesterday.

We do know, however, that our officials have more of a penchant for the domestically produced sweet than for its foreign rival. They spent only £20m on imported sweets that year.

The CSO has split the consumption of central and local government in 1984 into 100 classifications – from "aluminium etc" to "rubber products" – but its work is likely to have a more lasting significance to the serious student of the British economy.

The details on government consumption are contained in the CSO's latest input-output tables for the UK. The tables provide a detailed analysis of the extent to which industry, in producing its final output, relies on the products of other industries and on imports.

Furthermore, the tables not only display the transactions between industries but the relationship of industries with both primary outputs and final demand. Such a level of detail allows economic model builders to look at the dependency of one industry on others and to see what effect a given level of demand would have on the economy in general and specific industries in particular.

The comparison of previous tables also allows economists to track structural changes in the British economy. Since 1963, for example, Britain has become much more dependent on imports of capital equipment.

The CSO said that "fundamental change" in the economic structure of the UK reflected two factors: a rise in direct imports of capital goods from an estimated 5 per cent in 1963 to an estimated 20 per cent in 1984; and the effect of a rise in intermediate goods that went to British manufacturers of capital goods.

The CSO first published a set of input-output tables for the UK in 1961. They were for the year 1954. They have published the tables on four other occasions since but up until now economists have been working on tables produced for 1979.

Crown Agents sale 'distant prospect'

PRIVATISATION of the Crown Agents, the procurement and fund management agency for developing countries, is "an increasingly distant prospect" because of continuing demand for space in the legislative programme, according to Sir Peter Graham, chairman.

He was writing in the agency's annual report, published yesterday, which shows a drop in profits from £1.8m in 1986 to £1.5m last year.

Company profits set to suffer as pension rules are tightened

BY RICHARD WATERS

COMPANIES THAT boost their profits by reducing or stopping contributions to their employee pension schemes are to be forbidden from reporting this as an immediate benefit.

The ruling, contained in a long-expected accounting standard published yesterday, will dent the profits of many companies whose pension fund assets have grown faster than their liabilities.

Such a situation has become common this decade with low inflation and high investment performance.

Since the 1986 Finance Act, companies have been required to reduce these surpluses, with many opting to do so by taking a "holiday" from their pension fund contributions for one or more years.

Companies such as BICC, Racal and TI have seen contribution holidays lift their reported profits by more than 10 per cent.

Lucas, one of the first companies to use the device three years ago, looked to a contribution holiday of £21.2m in 1986 for more than half of its UK operating profits, and a quarter of its group figure.

In future, companies will have to spread the benefit of the holiday over the average time employees are expected to stay with the company. This varies between companies and industrial sectors, but is reckoned to average about 12 years.

According to a study of 40 large companies reporting pension fund surpluses by Bacon & Woodrow, consulting actuaries, the new standard would have forced these companies on average to double their contributions last year, representing an average reduction in profits of £10m.

However, the accounting standard contains significant concessions which will allow some companies to continue to take the holidays as one-off profit enhancements. These include:

● Where the surplus arises from a significant reduction in staff numbers. Several of the largest surpluses earlier this decade followed large-scale redundancies among manufacturing companies. Companies in this position will be allowed to continue to take the benefit of any pension fund surplus in the year of the redundancies, since this constitutes an exceptional occurrence.

● Where a surplus is reduced by a refund to the company, the benefit can be taken in one year. However, under the Finance Act 1986 this is taxed at 40 per cent; contribution holidays increase taxable income at the current corporation tax rate of 35 per cent.

● Where there are other exceptional circumstances unforeseen by the actuaries who determined the level of contributions required to meet a scheme's liabilities.

Statement of Standard Accounting Practice No 24, Accounting for Pension Costs, Chartac Books, Gloucester House, 399 Silbury Boulevard, Central Milton Keynes, MK9 2HL. £2.

Charities get financial guidance

BY RICHARD WATERS

THE FIRST-EVER guidance on how charities should report their financial position, aimed at stamping out abuses among the country's 161,000 registered charities, was published yesterday.

There are, however, no sanctions to enforce compliance with the guidelines, which take the form of a statement of recommended practice from the Accounting Standards Committee (ASC).

The Charity Commission, which requests accounts from all registered charities, said that it would be unable to monitor compliance. It said a lack of resources already meant that it was unable to pursue the more than 140,000 charities each year which did not submit accounts.

Mr Fergus Falk, a partner at Touche Ross and chairman of the group that drew up the guidelines, said the guidance required charities for the first time to give a detailed description of the uses to which their funds would be put. Mr Falk said they should also show all income received during the year. Currently, many took part of their donations directly to their reserves, artificially depressing their reported income. This was meant to aid fund-raising by making it look as though they were in greater need of donations.

The guidelines were intended to improve the comparability of charities' financial statements, and not to crack down on fraud, said Mr Michael Renshall, chairman of the ASC.

Reports by the National Audit Office and a Home Office team both concluded last year that the £10bn charity industry was inadequately controlled, with the NAO reporting "disturbing evidence" of fraud. Charities are not required by law to have their accounts audited.

Conservation areas in the City get 27% of office permissions

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

PLANNING permission for 27 per cent of the new office space in the City of London during the 15 months to June 1987 was granted in conservation areas, according to figures prepared by the City's planning authorities.

However, the office schemes in the conservation areas were redevelopments, often behind historical facades, refurbishments or extensions.

The analysis of City office developments is contained in a report monitoring land use changes and planning decisions made under the City Corporation's new local plan, recently subject to a public inquiry.

Planning decisions in the conservation areas underscore the difficulties for Mr Peter Palumbo in his attempt to win approval at a planning inquiry now under way for a new office building to replace eight listed buildings at Mansion House Square.

Mansion House Square is in the heart of the City. Lying as it does within a conservation area, it is subject to planning restrictions designed to retain historic buildings and ascertain that any redevelopment preserves the character of a district.

The planning history contained in the analysis by the City planning office indicates that the Palumbo scheme, if brought to fruition, would not push back existing City planning limits for conservation areas in principle but would in terms of location.

During the 15 months to June 1987, 88 planning permissions were given for works in City conservation areas. Of that total, 42 were for redevelopments, of which 20 were for schemes behind existing façades. The planning permissions covered 3.1m sq ft or 27 per cent of the total new space in the City.

But, among the redevelopments, the new offices at the former post office on St Martin's le Grand, near St Paul's Cathedral, accounted for 30 per cent of the new floorspace permitted in conservation areas.

However, the redevelopments listed by the planning officers in conservation areas were outside the heart of the City, in districts which are generally less environmentally sensitive than Mansion House Square.

Their report shows that planning permissions were granted for 11.3m sq ft of offices, which might lead to a net 10 per cent increase in the City's office space. The speed with which the planning permissions were granted owed much to the desire to consolidate the City's position as an international financial centre and to fend off competition from London Docklands as an alternative office centre.

This tide of planning permissions has now ebbed in the face of uncertainties in the international securities markets.

Green belt plans turned down

BY JOHN HUNT

Nicholas Ridley: Actions may placate his critics

MR NICHOLAS RIDLEY, Environment Secretary, who has been under intense criticism over the extent of building development in the south-east, yesterday rejected two big schemes proposed for the green belt on the borders of north-west Kent.

Together they would have amounted to one of the largest developments in the south-east in recent times.

Mr Ridley has continually emphasised his intention to protect areas within the green belt and his action could go some way to placate his critics.

They would have formed a large new village in the Crayford Marshes, Bexley, on either side of the River Darent. Russell Stoneham Estates had sought permission for a mixed residential development, an industrial and business park, a school site and open space covering 459 acres of the marshes near Erith in the London Borough of Bexley.

Kent County Council had asked permission to develop 711 acres of the marshes at Dartford. Mr Ridley has also rejected the proposal for a bypass to link the Dartford Tunnel to the A206 at Erith.

In rejecting the Russell Stoneham scheme he said there was no severe shortage of housing land or industrial capacity in the area that would justify overriding the strong presumption against development in the green belt.

He has told Kent County Council that their proposed site makes a valuable contribution to the Metropolitan Green Belt.

● Mr David Hall, director of the Town and Country Planning Association, called yesterday for the building of a new generation of garden cities to help solve the housing problem in the overcrowded south-east.

His views might provide a boost for the concept of country towns in rural areas now being promoted by private builders such as Consortium Developments. He envisaged a dozen such cities outside the green belt with populations of between 75,000 and 100,000.

Speyhawk to construct offices over City station

By Paul Cheeseright

SPEYHAWK, the property development group, has started work on an office project above Cannon Street station in the City of London, after the arrangement of £115m of financing through a group of British and Japanese banks.

The project involves the construction of two buildings, one of six storeys and the other of two, to provide 285,000 sq ft of office space. Speyhawk reached agreement with British Rail to use the space over the station two years ago.

The decision to go ahead with the building in the face of evidence that the City office market is quietening after a period of hectic rent rises reflects the belief that new offices in a central location would weather any storm caused by overbuilding. It is thought likely that supply and demand in the City office market will reach equilibrium in 1989-1990.

Speyhawk's ability to obtain funding on this scale is itself a reflection of the continuing enthusiasm of the commercial banks for lending to the property sector. Its facilities were arranged by Barclays de Zoete Wedd, which put together a lending syndicate of four British and five Japanese banks.

The Speyhawk loan rapidly follows a £59m facility put together for a Slough Estates-Viking Property shopping venture in Chatham and a £20m facility for a Slough Estates-Saintking office project in London Docklands. Those loans marked the entry of chartered surveyors, respectively Healey and Baker and Richard Ellis, into the funding market for the first time.

In a further London property deal, Bayerische Landesbank Girozentrale, the German bank, has paid £80m for a new City headquarters – a 42,500 sq ft building on Appold Street, adjacent to the Broadgate office complex by Liverpool Street station.

Reinsurance executive leads defection to rival

BY OUR FINANCIAL STAFF

LONDON-BASED E.W. Payne, the world's second biggest reinsurance broker, has lost one of its leading executives, Mr Colin Bryan, who is leading eight other employees in a defection to rival broker Nicholson Chamberlain and Colls.

E.W. Payne, which has more than 1,000 staff in London, had UK turnover of more than £60m in 1987 and forms one of the most highly profitable divisions of Sedgwick Group, the biggest UK-based insurance broker. Mr Bryan – one of the best-known figures in London reinsurance – was a close friend of Mr Jim Payne, E.W. Payne's chairman.

Mr Bryan and the other eight defectors all come from the company's non-marine division, which is best known for its role in arranging complex reinsurance programmes for big Lloyd's of London syndicates. Known as London market excess-of-loss reinsurance, this type of business has traditionally been lucrative for brokers. It formed a core activity for E.W. Payne.

Mr Payne said he was "terribly disappointed" that Mr Bryan and his colleagues were leaving, but their departures wouldn't damage E.W. Payne. One of the company's key strengths was in offering depth of after-sales service to clients and that would not suffer.

He added: "I am quite looking forward to the situation because it will give me a chance to get back in the market wearing out shoe-leather myself."

Nicholson Chamberlain and Colls was launched this spring by a group of former executives of Stewart Wrightson, the Lloyd's broker taken over last year by Willis Faber.

Murdoch may move Sky to Luxembourg satellite

BY RAYMOND SNODDY

MR RUPERT MURDOCH, chairman of News International, is likely to move Sky, his general entertainment satellite channel, to Astra, the Luxembourg-based satellite due to be launched in November.

A final decision is expected to be taken by the Sky board next month.

The options under consideration include leasing as many as three channels from Astra, a medium power, 16-channel satellite, which can broadcast direct to individual homes as well as cable television networks across western Europe.

Apart from Sky, Mr Murdoch is interested in an Astra channel for Eurosport, the joint venture sports channel he plans with a number of Europe's public service broadcasters, including the BBC. A third Murdoch channel could be used either for a film channel or, less likely, a news channel.

If Mr Murdoch formally decides to go on to Astra, it will be an important boost for the private sector satellite company behind the project, Société Européenne des Satellites. So far none of the UK programme providers whose channels are at present, like Sky, broadcast by low power telecommunications satellites has signed contracts with Astra.

Price is a major issue, although the annual cost of a 24 hour channel has already been cut from £4.9m to about £4m.

Support by Mr Murdoch could help to ensure that Astra becomes the "hot bird," the satellite that all the programme providers have to be on.

Mr Pierre Meyrat, director general of SES would only say yesterday that he is negotiating with all the potential users of Astra.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
27	28	29	30	31	1	2

Exhibitions

LONDON

The Royal Academy. Cezanne. The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the great seminal figures of the modern movement. Ends August 21.

The Royal Academy Summer Exhibition. The 220th Summer Exhibition in an unbroken sequence and still the largest Open Exhibition of current painting, sculpture, prints and architecture in the world. At 1261 exhibits chosen from a submission of something above 12,000, the show is a little smaller than usual; but it is as dense and bizarre as ever with as many good things to be discovered. Daily until August 7.

Barbican Art Gallery. Art or Nature – a thorough survey of French Photography in the 20th century as part of the "Images de France" Festival. The exhibition is especially strong in the attention it gives to the great individual photographers of the period, such Kertesz, Cartier-Bresson, Brassai and Atget. End July 17.

The Hayward Gallery. Two concurrent exhibitions: "Angry Penguins" – a fascinating study of the group of young painters active in Melbourne during and just after the Second World War. Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth. Both shows until August 14.

British Museum. "Ukiyoe" – Images of Unknown Japan. This large exhibition of exquisite quality, brings to us, through the work of the greatest masters of the wood-block print, the magical "Floating World" of pleasure and the senses that was the city of Edo (modern Tokyo). Until August 14.

National Portrait Gallery. Paolozzi Portraits – a small but intriguing show of a body of recent work on a subject that in general terms has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout his long international career. Until August 7.

NETHERLANDS

Amsterdam. Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Amsterdam. Jewish Historical Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish ritual, with lamps and menorahs specially commissioned from modern Israeli and Dutch artists. Ends June 12.

Amsterdam. Vondelkerk. The life and work of the Canadian pianist Glenn Gould in an exhibition which includes screenings of legendary video recordings, including some never shown before. (Weekends until June 12). (Vondelstraat 120).

PARIS

Centre Georges Pompidou. Marc Chagall: 46 paintings, 408 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. (42 77 12 33) Closed Tue. Ends June 5.

Galérie Schmit. French masters of the 19th and 20th century. The discreetly luxurious three-storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. 396, Rue Saint-Honoré (42603636) closed Sundays and lunchtime. Ends July 16.

Galérie d'Art Saint Honoré. A vast allegory of war and peace painted in the atelier of Hans Brueghel the elder forms a striking centrepiece of an exhibition of Flemish masterpieces. 267, rue Saint-Honoré (42601503). Ends June 15. Closed Sat, Sun, and lunchtimes.

Pavillon des Arts. The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. Everyday utensils like scissors, knives, betel nut and cosmetics boxes are chiselled and adorned with filigree open-work as richly as ceremonial objects and armour. 101, Rue Rambuteau (42338250) closed Mondays and holidays. Ends July 17.

Galerie Odermatt-Cazeau. Guillaumin's deep blue of the Mediterranean framed by green pine trees and orange earth entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th century. 85 bis, Rue Faubourg Saint-Honoré. (42669258) Ends July 30.

VIENNA

Historisches Museum. Karlsplatz. The cultural legacy of Vienna's Jews which has been preserved by Max Berger, makes up this large exhibition which conveys the sense of loss as much as the community's artistic richness. Ends June 5.

Austrian Museum of Applied Arts. Kunst und Revolution. A rare opportunity to see, under one roof, an exciting burst of creativity by Russian and Soviet artists between 1910 and 1932. Closes June 15.

Kunstlerhaus. Public spirit and protest: Biedermeier and Vormarz in Vienna 1815-1848. After the highly successful dream and reality exhibition which looked at fin-de-siècle Vienna, the Austrians have gone back to the Biedermeier period (1815-1848). Ends June 12.

Rathaus. Wien 1938. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938, with a large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

NEW YORK

American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasizes the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester lent by the Tate Gallery. Ends Aug. 21

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. Over 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mondays. Ends June 5.

Tokyo National Museum, Ueno. Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their associations with the cult of death or for their lavish use of gold and other precious materials. This exhibition ers important pieces from collections in East Germany. Closed Mondays. Ends June 12.

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. More than 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mon. Ends June 5

ITALY

Venice. Palazzo Grassi. The Phoenicians: The fourth major exhibition at Fiat's imposing arts' centre on the Grand Canal attempts to give a complete picture of this extraordinary people, about whom few know much, who dominated trade in the Mediterranean for over 1000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. (Until Nov 6).

WEST GERMANY

Frankfurt. Stadelsches Kunstinstitut. Georg Baselitz. To commemorate the 50th birthday of the Berlin painter the museum is showing 150 paintings and 30 pictures covering the period 1958-1964, and 17 woodsculptures from the last 10 years. Durerstr. 2. Ends Aug 17.

Cologne. Romisch-Germanisches Museum. Caesar's Glass. This exhibition is the most important display of Roman glass ever staged. It covers the period from Caesar to Justinian, from the first century BC to the 6th century AD. Until August 28.

Cologne. Museum Ludwig. Picasso in the second World War. 120 paintings, drawings and sculptures covering the period from 1938 to 1946, showing the painter's influence on artistic life after the war. Bischofsgartenstrasse 1. Ends June 16.

Music

LONDON

London Symphony Orchestra, conducted by Yan Pascal Tortelier with Cecile Ousset, piano; Maria Ewing, soprano and Les Arts Florrisant, director William Christie. Royal Gala concert: Chopin, Charpentier, Lully, Ravel. Barbican Hall (Tue) (638 8891).

Philharmonia Orchestra, conductor Giuseppe Sinopoli, Heinrich Schiff, cello: Schubert, Schumann, Mendelssohn. Festival Hall (Tue) (928 3191).

London Classical Players, conductor Roger Norrington, Melvyn Tan piano: Beethoven. Elizabeth Hall (Tue).

Tippett's The Mask of Time, Festival Hall (Wed).

Andrei Gavrilov, piano: Schumann, Schubert. Festival Hall (Thur).

London Symphony Orchestra, conductor/violin Shlomo Mintz: Schubert, Mozart, Vivaldi. Barbican Hall (Thur).

VIENNA

Vienna Philharmonic, conducted by Christoph von Dohanyi: Webern, Brahms, Schoenberg. Musikverein. (Fri) (65 81 90.)

Vienna Symphoniker, conducted by Georges Prêtre: Debussy. Konzerthaus (Fri). (72 12 11).

Vienna Mozart Orchestra, conductor Konrad Leitner. Sofiensaele (Fri) (72 21 98 or 82 71 920).

Alban Berg Quartett. Konzerthaus (Mon, Tues). (72 12 11.)

The Vienna Hofburg Orchestra and the Vienna Sinfonietta, conductor Kurt Rapf: Mozart, Schubert, Johann Strauss. Hofburg (Wed). (42800, Ext. 2055/2095.)

NETHERLANDS

Amsterdam. Concertgebouw. finale of the Fourth Eurovision competition for young musicians (Tue) (718 345).

The Hague. Philipzaal. Aldo Lombard conducting the Netherlands Philharmonic with singers and the Netherlands Concert Choir: Beethoven (Thur) (60 98 10).

Nijmegen. Vereniging. The Gelderland Orchestra conducted by Leo Driehuys, with Emmy Verhey, violin, and Frederic Meinders, piano: Brahms, Mendelssohn, Dvorjak (Wed) (22 11 00).

WASHINGTON

National Symphony, Mstislav Rostropovich conducting, with Choral Arts Society of Washington directed by Norman Scribner and Oratorio Society of Washington directed by Robert Shafer. Mahler (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Brilliante Chamber Players. V. Reynolds, Beethoven, Schubert (Wed). Orchestra Hall (435 8122).

Chicago Symphony, Kenneth Jean conducting, Juliana Markova piano. Torke, Grieg, Haydn, Respighi (Thur). Orchestra Hall (435 8122).

WEST GERMANY

Berlin. Berlin Philharmonic Orchestra, under Seiji Ozawa, with soloist Alexis Weissenberg plays Brahms and Rachmaninoff (Fri, Sat).

Frankfurt. Alte Oper. Franco Corelli's Il Giasone will be offered in a concert version with La Petite Bande, conducted by Sigiswald Kuijken. (Tue).

Munich. Herkulessaal der Residenz. Andras Schiff gives piano recital with works by Schubert and Beethoven. (Mon).

PARIS

Choeur et Orchestre Jean Rossini, Schubert, Chopin (Mon) Salle Pleyel (45638873).

Orchestre Francais d'Oratorio, conducted by Jean-Pierre Loré. Ensemble Vocal Jean-Pierre Loré, Vivaldi Gloria, Credo, concertos for trumpets (Mon, Tue) Saint-Roch Church (42615225).

Jean-François Heisser, piano: Beethoven, Schubert (Mon) Comédie des Champs Elysées (47231516).

Arcoes, Grand Chorale, Mixte Schubert (Tue). Salle Pleyel (45638873).

Opera Comique, Percussions, piano concert: Kabelac, Jolivet, Bartok (Wed). Salle Favart (47425350).

Orchestre de Paris and Ensemble Intercontemporain conducted by Pierre Boulez with the Conservatoire Choir: Berio, Schoenberg (Wed, Thur) Salle Pleyel (45638873).

Theatre

LONDON

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white-hot National Theatre revival of Tennessee Williams's play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252)

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast of post-Python comedians including Rik Mayall and Stephen Fry. (836 2294, CC 240 9661)

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical. Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the libidinous diplomat Sir Les Patterson touches new depths of degradation. (836 2660/4143)

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated landscapes in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. Ends June 26. (254 3670).

NETHERLANDS

Amsterdam. Stadsschouwburg. The English-Speaking Theatre of Amsterdam continues its 10th anniversary summer season with two plays: Svaruga's American Gothic directed by the author, a macabre comedy about a family's reactions as the son-in-law changes unwillingly into a famous comic-book freak (Fri, Sat), and Emerald City by David Williamson, a humorous look at rivalry and moral decline among Sydney's high-fliers (Wed, Thur). (24 23 11).

TOKYO

Opera-za no Kaijin (Nissei Theatre) – better known as The Phantom of the Opera, Andrew Lloyd Webber's latest smash-hit arrives in Japan in a production by Harold Prince for the Shiki Theatre Company which is a virtual carbon copy of his London and Broadway staging.

Cinema/Ann Totterdell

Rendez-vous with death

Siesta (18) Chelsea Cinema
Appointment with Death (PG) Canon Haymarket, Canon Shaftesbury Avenue
The Whales of August (U) Curzon Mayfair.
Planes, Trains and Automobiles (15) Empire 1
A Tiger's Tale (15) Canon Panton Street, Canon Tottenham Court Road.
Can't Buy Me Love (PG) Warner West End, Canon Haymarket, Canon Oxford Street.

They say that when you drown your whole life flashes before you. Why no one claims this happens with other forms of death is not clear; perhaps drowning is a particularly leisurely process. Free falling from an aeroplane is a leisurely process too, if you have the nerve for it, and Clare (Ellen Barkin) the heroine of *Siesta* has plenty. When she wakes to find herself crumpled and bloodstained on a Spanish airstrip it is obvious that something extraordinary has happened, probably a murder, but we are only momentarily allowed to expect a conventional thriller. As fragments of her past come back to her – a lucrative and highly publicised free fall into a volcano, a reunion with a former lover – which memory is the reality? Desperately trying to remember who is the victim of the murder, her lover or his jealous wife, Clare takes refuge with a desperately frivolous group of people who seize upon her situation as if it were a new party game.

Siesta is the first film of Mary Lambert's a director with a distinguished record in commercials and music videos. (For Madonna, the Eurhythmics, Tom Tom Club). It is obvious that she has seen a lot of Fellini films, and that her expertise lies with visuals not actors, otherwise she might have more easily overcome the problems of a story overburdened with eccentricities: guardian angels, trapeze artists, religious manifestations, and the fact that the missing corpse is Clare herself, her stream of consciousness her last hold on life.

If the director's name were Beineix or Besson she would stand a better chance of getting away with the stylistic addiction that inevitably comes with her background. In spite of its exhausting hotchpotch of images and too-strenuous performances, the film grips the attention to the end because it deals with a subject – death – very few American directors (Woody Allen, Bob Fosse) have had the courage to address without sentiment. By the time Mary Lambert has a few more credits, *Siesta* will probably have entered the afterlife of many rejected first films and become a candidate for cult status.

★

Almost as big a question as who bumped off grasping widow Emily Boynton (Piper Laurie) in *Appointment with Death* is why she would bother to spend her ill-gotten gains on taking her resentfully dependent family on an expensive trip to the Holy Land. Presumably in order to meet Hercule Poirot (Peter Ustinov) who could then use his famed powers to find the villain when she is murdered there. There is another mystery. Why do the directors and producers of Agatha Christie films persist in the fantasy that multi-star casts are a substitute for good film making, and why do actors collude with them by appearing in these unsatisfying productions?

In this case everyone got a trip abroad which maybe compensates them (though not their audience) for the lack of interesting roles and exciting action.

There is a familiar assembly of characters played by Carrie Fisher, Lauren Bacall, John Gielgud, David Soul, Hayley Mills and Jenny Seagrove in no particular order of merit, a murder is committed and they obligingly twiddle their thumbs while Poirot does some laboured brainwork.

The plot returns to a favourite Christie theme of whether the murderer might be more innocent than the victim, but director Michael Winner does not dwell on this. In fact he does not dwell on anything much, tearing through the story at breakneck speed and completely neglecting to establish tension or period (Palestine 1937) atmosphere.

★

In *The Whales of August* there is an abundance of atmosphere and characterisation in search of a fragile theme: not death, not just yet, but evolving personalities. Even old people grow. The film covers a couple of days in the life of two widowed sisters played by Lillian Gish and Bette Davis, thrown together in old age as in their youth. They squabble a bit but they've seen too many years together to part now.

Though Davis has the more emotionally vigorous part as a blind disappointed woman dependent on her frail sister, the exquisite Lillian Gish is the heart of the film. Dusting her dead husband's photograph, pottering about her kitchen, fielding Davis's sniping remarks, she always retains gentle control of the situation and the film. Only the power and beauty of the ocean around the Maine island where they live can eclipse her, eternally washing in and out but no longer delivering the whales who used to appear as a summer landmark in their youth.

A sort of *On Golden Pond* without the fireworks, Lindsay Anderson's direction is tranquil and assured. Probably he knew what he was constructing was less of a film than a monument, but monuments have their place and this one is very pleasing.

★

Two characters thrown together in less serene circumstances are Steven Martin and John Candy in *Planes, Trains and Automobiles*, when the plane that should have got Steve Martin home for thanksgiving is first delayed, then diverted. But the nightmare does not really begin until Martin, in an unusually restrained role as the fastidious Neal Page, finds himself at the mercy of ebullient fellow traveller Del Griffiths (John Candy) who has a coarse remark for every occasion and an unfailing confidence in the face of constant disaster in his ability to get Neal home in time.

As they skirt round delicate problems like sharing the same motel room bed, driving a burnt out car that is almost melting, or innocently speeding the wrong way up a highway, Martin and Candy work their way with painful hilarity through every traveller's nightmare. One particular moment, when Martin is stranded in a hired car lot surrounded by acres of cars – every car in the world, it seems, except the one for which he has been issued a key – perfectly captures the impotent frustration of administration gone wrong.

Fast-paced action comedy is a relatively new genre for writer/director John Hughes (*Breakfast Club, Pretty in Pink*, and *Ferris Bueller's Day Off*) but he still retains his original strength as an actor's director. Uptight Martin loosens up and relentlessly cheerful Candy opens up. The experience is as maturing for them as for the teenagers in detention in *The Breakfast Club*. Machinery may fail them, but human warmth does not.

There is a bit too much warmth in *A Tiger's Tale*, a film so desperate for attention that it throws in a real tiger and a boa constrictor as supporting actors in case the central story of a teenage boy in love with an older woman (C Thomas Howell and Ann-Margret) fails to hold the attention. In between skittish frolics – apparently no one thinks it remarkable to see the couple out running with a pet tiger – there is much sanctimonious talk about freedom and responsibility, especially when she gets pregnant. Since the parent figures are barely more mature than the kids this does not get anyone very far. And only the tiger retains any kind of dignity.

★

The teenage problems in *Can't Buy Me Love* are in more familiar territory. Ronald Miller is a swot and a wimp – no style, no status – but he yearns to belong to his high school jet set. Working on the premise that you are who you know he makes the most of an unexpected opportunity to bribe one of the most popular girls in his class to pretend to be his girlfriend for a month. At the end of that period he expects to have gained credibility with her friends and a permanent niche with the in-crowd. It all works surprisingly well and ugly duckling Ron is transformed by Cindy (Amanda Peterson) into a confident, stylish swot. But Cindy, a girl whose way with her mother's credit cards makes a cast iron case for school uniforms all on its own, in keeping her part of the bargain and defending his gaucheness learns more about human nature than he does. At the end of the month the class princess is humanised and the nerd has turned into an over-confident monster. Unfortunately this is where the obligatory moral point comes, and the mood flags momentarily while Ron learns that you must unto thine own self be true. Nevertheless the film's vitality, and Patrick Dempsey's endearing performance as Ronald, make it one of the most entertaining comedies about peer group pressure since *Grease*.


Lillian Gish in "The Whales of August"

Hamlet/Birmingham Rep

Michael Coveney

The Renaissance Theatre Company of Kenneth Branagh and David Parfitt has now added *Hamlet* to its triumphant little sell-out season in the black hole of the Birmingham Rep's studio theatre. On to proper venues next month, starting with weeks at the Belfast Opera House, Dublin Gaiety, and Theatre Royals in Bath and Brighton.

Kenneth Branagh's Hamlet, directed by a notably quick and tender Prince of yore, Derek Jacobi, was always going to be interesting. How was an actor so definite and impulsive to convey the curious frozen inactivity of the tortured avenger. The simple answer is that, having decided to step outside of the political system, Branagh's Dane finds plenty of outlets for his surplus energy. He puts on plays, as befits a cunning impresario, and toys with those around him like a puppet master.

The result is a Hamlet of unusual power and individuality, no whit a moping poet or a weeping mother-fixated neurotic.

Branagh means what he says when he reminds Horatio he's feigning madness. He does indeed lose all his mirth in the slow resolve of his interventions. He writhes in anguish at the recorded voice of the Ghost. "To be or not to be" is delivered, not for the first time, to the attendant Ophelia. He thinks, as he acts, *out loud*, and in public.

This is a perfectly valid way of treating the play and it is cleverly supported with a consciously theatrical Edwardian setting. Richard Easton's lip-smacking Claudius turns up for a good night out in white tie and tails and is entertained with offensively pertinent distractions. The upper level of a steel gantry, well used for "Now might I do it, pat" is closed off with four great swishing red plush curtains, a battery of footlights divide us from the actors. One of these lights is the subject of a wrestling match between Claudius and Hamlet when the new censorious reign stops play.

Branagh's Hamlet is steely, decisive and charismatic. But at one remove from everyone else. He is undergoing a sea change, causing havoc. The constant witness to his plight is the finical bespectacled academic Horatio of Richard Clifford. The stunning Ophelia of Sophie Thompson is the mind o'erthrown, her speech in the nunnery scene transposed to give her a first half close of great poignancy.


Sophie Thompson

But it is typical of this vigorous reading that Miss Thompson, who to start with, hair piled up, resembles pictures of the young Ellen Terry, does not dwindle, but blossoms in madness. Similarly, Dearbhla Molloy's superb Gertrude clearly knew nothing of how Claudius came by the throne and is isolated in cataclysmic grief by her son's gruff boudoir entreaties.

With judicious cutting and interleaving, the play goes quickly at just over three hours, but the effect is one of coherence in the intimations of mortality. Branagh smuggles Yorick's skull back to the court, and goes leaping to his death with a sardonic dash worthy of Douglas Fairbanks, blond hair kept at bay by the sword-free hand. Jay Villiers is an athletic, powerful Laertes and Edward Jewesbury a noble, mercifully unfussy Polonius who had the misfortune to garble his most famous speech on opening night.

Letters and messages abound in this play, and someone is always handing on an envelope, something I had never noticed quite so much before. Hamlet, understandably, ends up with scant regard for the mail system.

Branagh's Hamlet is not a drop-out, or a disaffected yuppie. He remembers his texts and his philosophy very well. He finds reality in the life of the mind, his own, that only other people believe to be shattered. This intriguing interpretation is fresh, original and compulsively memorable.

Monsignor Quixote/Northcott, Exeter

B.A. Young

Graham Greene's book has been adapted for the theatre by Christopher Neame, who has already filmed it, and is given its world premiere as part of the Exeter Festival. It will please devotees of the book (I am one) for its truthful presentation of both the movement and the conversation, which proves highly stageworthy; and this truth is an unexpected bonus. Deprived of the drive through Spain, what remains, one might ask, but endless exchanges of talk, much of it concerned with details of Roman Catholic practice and belief?

Much more remains than you might expect, and George Roman's direction is full of visual touches that remind us that the action is mobile and mostly outdoor. Before a word is spoken, a BMW drives on to the stage and apparently breaks down. A little red SEAT enters from the other wing and disgorges Father Quixote (Peter Halliday) and his friend Sancho (James Ellis). They fix the BMW, and Father Quixote gives its owner, a Rome-based bishop, a lunch so deliciously prepared by his servant Teresa (Zoe Hicks) that he is subsequently promoted to be a Monsignor.

These preliminaries do take rather a time; but, once over, we are ready to follow Father Quixote, out of favour with his own bishop, when he takes the road with Sancho and embark on the adventures and the conversations at the heart of the book. They are reproduced closely enough to have won Graham Greene's approval, and it would be wrong of me to tell them all here when they can be read in a quite thin little Penguin. Father Quixote is a liberal and rather naive priest, and Sancho is the Communist ex-mayor of El Toboso, so they have a good many opinions to exchange.

Less intellectual adventures include a night in a brothel that Father Quixote thinks is a hotel; a confession heard in a public loo from an undertaker who steals the brass handles off coffins; a holdup at gun-point by a wounded robber; a visit to a porn-film when the Monsignor misunderstands its title, "The Maiden's Prayer;" a confrontation with a greedy priest who auctions his Virgin to the highest bidder to lead in his festive procession.

Peter Halliday and James Ellis, who are seldom off the stage for a moment, give performances that are at once comic and moving. Mr Halliday, who has to say a final Mass in his sleep, gives it a remarkable blend of delusion and devotion.

Indeed it is all done with the kind of everyday devotion that the writing calls for. A cast of 12 plays 35 parts with a notable attention to detail, however apparently unimportant their action; and a succession of modest but sometimes impressive scenes designed by Sean Cavanagh gives a happily extravagant look. The production has been generously sponsored by Stephens and Scown, solicitors, in association with the Exeter Festival.

The first Erik Bruhn Prize for young dancers

This seems to be the season for new and Danish-inspired dance prizes. After the Hans Andersen Awards in Copenhagen, the National Ballet of Canada has just initiated the Erik Bruhn Prize for young dancers, with a gala in Toronto's O'Keefe Centre.

Shortly before his death two years ago, Erik Bruhn, then director of the National Ballet of Canada, decided to fund a prize for young dancers from four of the companies with whom he had been associated during his illustrious career: the Royal Danish Ballet, American Ballet Theatre, our own Royal Ballet, and the National Ballet of Canada. Each would enter a male and female dancer, between the ages of 18 and 26, to compete for the laurels of "best" performer, the judges being nominees of the competing troupes.

Differences with the various other international dance competitions which invite the young – and not so young (26 is an advanced age for a dancer) – to spin themselves silly in the pursuit of prizes, are evident. This contest is restricted to the four named companies as to entrants and judges, and there are no eliminating rounds: the dancers we see on the night of the gala are those selected by their parent troupes, and the prize is bestowed on the evidence of this single performance in a "classical" and a "modern" section.

The fascination for the audience, as for the judges, is in the evidence of national expectation from the dancers and, not least, in variety of style. As the evening progressed, these became clear, as did the importance of well-chosen choreography.

The opening couple, Canada's Martine Lamy and Owen Montague, were sincere performers, but not helped in any way by their choice of material: the addled "Black Swan" duet from Bruhn's idiosyncratic version of *Swan Lake*, and by solos which did not give their skills full reign.

Viviana Durante and Errol Pickford from the Royal Ballet took risks by opting for the *Don Quixote* pas de deux – a sacred text for dance competitions, but not one that is part of their company traditions. Yet they found the panache it needs, and Mr Pickford's rocketing elevation and clean classic manner were also well displayed in the fragments from MacMillan's *The Four Seasons* which the couple offered as their modern choice. Mr.Pickford's high-flying final entry spoke of a rare joy in classic dancing, vividly communicated: here, surely, was a winner.

The Danes sent two very young dancers; Rose Gad Poulsen is only 18, though already entrusted with leading roles in Copenhagen, and she and Lloyd Riggins (American, and lately recruited to the Danish troupe) were fleet and decorous in part of the second act from *La Sylphide*, though not so well seen in a duet from Tudor's *The Leaves are Fading*, which needs Gelsey Kirkland's emotional and physical subtleties if it is not to seem fatally naif.

American Ballet Theatre's couple, Bonnie Moore and Wes Chapman, produced secure and well-mannered dancing in both the third act duet from *The Sleeping Beauty* and the balcony scene from MacMillan's *Romeo*. Neither piece, though, seemed more than dutiful in performances which minimised their differing sublimities of physical elegance and physical abandon.

While we awaited the judges' decisions – the immediacy of the evening was part of its excitement – Natalya Makarova showed us a lambent White Swan pas de deux with Kevin McKenzie, the dance singing with Chaikovsky's voice, and then convulsed the audience by recounting three disastrous evenings she had known on stage, when the parrot-dance in *La Bayadere*, a recalcitrant trap-door and a crinoline skirt with its own sense of purpose, were part of a rich fabric of theatrical mayhem.

The National Ballet's dedicated performance of Glen Tetley's *Voluntaries* was prelude to the naming of names. The laureates were Rose Gad Poulsen and Errol Pickford, winners by virtue of their dance qualities and because of *that indefinable but unmistakeable* sense in which movement lives and beautifully speaks to us through their bodies.

Thus the first Erik Bruhn Prize: gratitude is owed to Barry Wordsworth, most sympathetic of conductors in accompanying the dancers, and to Merrill Lynch, who sponsored the competition.

The contest has been announced as annual. I am inclined to the belief that a yearly jamboree will debase the currency of the prize: far better to make it more rare and more valuable.

★

An incidental pleasure of the week-end was a performance of *Onegin* by the National Ballet. Their account of Cranko's text is lively, and physically distinguished, with Jeremy Ransome a sensitive Lensky and Cynthia Lucas a pretty Olga.

The inspiration behind the evening was, though, Makarova's Tatyana, tempest-tossed in the arms of Peter Breuer's brooding Onegin. Makarova's range is amazing in this ballet: an arm simply extended asking Olga to return a book, a whirlwind pirouette, the flood of feeling as she pulls away from Onegin (an amazing image to suggest how the mature Tatyana fights against the emotions of past years), are apart of a portrayal uniquely sensitive and uniquely beautiful.

Clement Crisp

Nominatae Filiae/ICA

Claire Armitstead

The rescue of women from the male imagination has become an almost obsessive preoccupation of the latterday women's movement. In this instance a Cardiff-based project, under Polish direction, sets about the task with the high seriousness of knights in pursuit of the Holy Grail. That they will fail to complete their mission is part of the tradition; the pursuit is all.

Nominatae Filiae is more specifically a collaboration between the theatre research arm of Belgium's Cirque Divers and the Magdalena Project, an international venture which grew out of a three-week women's festival in Wales two years ago. Its mission, broadly speaking, is to pool experience and creativity into the search for themes and variations that are uniquely female.

The first hurdle, which has yet to be successfully negotiated, is to find a language for the undertaking. Here is a piece rich with cultural resonance, which would seem in its own terms to be merely a preamble to the main cause. We are presented with a woman artist painting at the turn of the century, from whose palette trip dying swans, murdresses and martyrs who speak in many tongues and idioms but who are historically closeted by male stereotypes and preconceptions – a state symbolised by a profusion of picture frames.

There is a Piaf figure in black lace who rasps out her role models (Medea, Roxane . . .) before submitting herself, in tremulous soprano, to a rendition of *La Vie en Rose*; there is a tousle-haired artist's model, who announces proudly that she specialises in suicide poses before dashing herself again and again to the floor. It is only at the very end of the reverie that the archetypes gather behind the largest of the picture frames and collectively claw their way out.

This single, barbaric concept gives a sudden, breathtaking coherence to a tapestry of images that is stitched together by director Zofia Kalinska in patterns that become increasingly wild.

The colouring of the work is a (dare one say it?) Lorca-esque profusion of scarlets, whites and blacks, which build into a *tableau vivant* of martyrdom, fascinating if only because of the insight it affords into the androgyny of religious iconography. The naked, garlanded and martyred woman recalls oh-so-many pictures of poor, pretty St Sebastian, while the sex of an angel is anyone's guess (here, it is a playfully vain girl cherub in search of a starring role). It is the power of the piece to provoke such reflections that is its chief achievement.

Arts Guide

May 27-June 2

Opera

LONDON

Royal Opera (Covent Garden). For what may be her farewell appearances here, Joan Sutherland leads a new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts, and the cast also includes Susanne Mentzer, Dimitri Kavrakos, and John Aler. It is hoped Jon Vickers, ill for the opening performances of the Peter Grimes revival, will this week be returning to the house.

English National Opera (Coliseum) In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived, with members of the original Wagner cast – Kathryn Harries, Graeme Matheson-Bruce, Neil Howlett, and conductor Kees Bakels. Also in repertory: Nicholas Hytner's wholly delightful new Magic Flute production, with Thomas Randle, Susan Bullock, Nicholas Folwell, and John Connell.

Royal Ballet (Royal Opera House, Covent Garden) performing Ondine (Fri, Sat, Thur).

London Festival Ballet (Sadler's Wells). The LFB's smaller group presents Christopher Bruce's full-length Garcia Lorca fantasy, Cruel Garden (Fri, Sat) and then *changes to a quadruple bill* (Mon to Wed).

PARIS

Faust (Paris Opéra). Conducted by Alain Lombard with Faust sung by Alberto Cupido/Jean Dupouy; Mephistopheles by Jose Van Dam/Jean-Phillippe Courtis, and Marguerite by Gabriella Banackova/Michele Lagrange. This alternates with The Nutcracker (47 42 53 71).

Pina Bausch and the Wuppertal Tanztheater (Théâtre de la Ville) with Ahnen, in which choreography reflects her gentler, and sadder, feelings about human relationships (42 74 22 77).

Thais (Opéra Comique). Massenet, combining religious feelings with sensuality, conducted by Lawrence Foster in Nicolas Joel's production (47 42 57 50).

VIENNA

Staatsoper. Manon Lescaut by Puccini. Conducted by Silvio Varviso, with Anna Tomowa-Sintow, Margareta Hintermeier, Thomas Allen, Giuliano Ciannella, Kurt Rydl.(Fri, Mon, Thurs) L'Italiana in Algeri by Rossini. Conducted by Claudio Abbado with Patrizia Pace, Agnes Baltsa, Anna Gonda, Ferruccio Furlanetto, Alessandro Corbelli (Sat). Un Ballo in Maschera by Verdi. Conductor, Claudio Abbado, with Ludmila Schemtschuk, Danielle Borst, Luciano Pavarotti, Piero Cappuccilli (Sun, Wed.) Andrea Chenier by Giordano, conducted by Anton Guadagno with Eva Marton, Czeslawa Slania, Ermanno Mauro, Matteo Manuguerra, Gottfried Hornik (Tues) (51444. Ext 2959/2960.)

Volksoper. Die Fledermaus by Johann Strauss, conductor Carlos Kalmar, with Gabriele Fontana, Elisabeth Kales, Rudolf Wasserlof (Fri) Der Freischutz by Weber, conductor Dietfried Bernet (Sat, Thurs.) Die Zirkusprinzessin by E. Kalman. conductor, Herbert Mogg. (Sun). Das Land des Lächelns by Lehar, conductor Rudolf Bibl (Mon, Wed). Giustino by Handel, conductor Ernst Maertzendorfer (Tues) (51444. Ext. 3318/3319.)

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring highlights include the world premiere of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquesto's set, along with the new productions of Gaité Parisienne. (362 6000). Ends June 11.

New York City Ballet (New York State Theatre). Celebrating its 40th anniversary, the company has commissioned 20 works, including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Lubovitch and Paul Taylor, among others. Ends June 26.

NETHERLANDS

Amsterdam. The Netherlands Opera in the Dutch premiere of Nixon in China by John Adams, with libretto by Alice Goodman. Directed by Peter Sellars and designed by Adrianne Lobel. Edo de Waart conducting the Holland Festival Orchestra. (Thur) (255 455).

The Hague. Danstheater. The Nederlands Dans Theater with the world premiere of Jiri Kylian's Kaguyahime, a Japanese fairy tale to music by Maki Ishii performed by the Dutch Circle Ensemble and members of Japan's Kodo Ensemble Wed, Thur) (60 49 30).

WEST GERMANY

Berlin, Deutsche Oper. Der Troubadour is a Herbert von Karajan production. Götterdämmerung has a strong cast led by Gwyneth Jones, Karan Armstrong, Toni Kramer and Gottfried Hornik. Der Fliegende Holländer has Simon Estes in the title role. Also offered: Giselle and Schwanensee.

Hamburg, Staatsoper. Cav and Pag stars Grace Bumbry, Giorgio Lamberti, Natalia Troitskaya, Vladimir Atlantow and Juan Pons. L'Elisir d'Amore features Marie McLaughlin, Franz Grundheber and Rolando Panerai. Le Nozze di Figaro has Linda Plech, Eva Maria Tersson and Peter Galliard. Il Barbiere di Siviglia with Hellen Kwon, Eva Maria Tersson and Geoffrey Moses. Also in repertory, a Kurt Moll lieder recital and La Bohème.

Cologne, Opera. Carmen features Victoria Vergara, Harald Stamm and Josef Protschka. Britten's Ein Sommernachtstraum, produced by Willy Decker will have its premiere this week. Die Zauberflöte is a well done repertoire performance with Hellen Kwon and Nadine Secunde.

Bonn, Opera. The highly acclaimed Die Meistersinger von Nürnberg is offered for the last time this season with Bernd Weikl outstanding in the title role, William Murray, Sue Patchell, Peter Hofmann and conducted by Peter Schneider. Der Liebestrank in Giancarlo del Monaco's production takes the leads Kristina Laki, Dalmacio Gonzales, Brian Schexnayder and Gunter Schneider.

Saleroom/Antony Thorncroft

Wreck hopes sunk

Sales of treasures retrieved from the deep may capture the public imagination but this does not always lead to expansive bidding. Sotheby's made a great fuss about its auction of artifacts from the Medina, which was sunk by a German *U boat* off the Devon coast in 1917, considerably discomforting Lord Carmichael, the returning Governor of Bengal, causing him to lose the collection of oriental works of art that he was bringing home. The vessel has been excavated by a Danish company, which invested £1m in the salvage operation. The sale yesterday produced just £24,692 towards its costs in the Billingshurst auction room, underlining just how hazardous such exercises can be.

Despite rumours that Lord Carmichael was bearing silver and gifts for the King few of the objects recovered had any real value: they were the bric a brac of an undiscriminating collector. Top price was the £2,145 paid by Howard of Stratford for a small collection of black opals, which were still new on the market in 1917. They need re polishing. The same dealer paid £1,320 for a mid 19th century cornelian intaglio, mounted in gold as a bracelet centre.

Sotheby's is having a cracking week of sales in New York which makes the poor investor response to its recent share offering all the more bewildering. On Wednesday it sold American pictures for £11,816,967,($22,251,350) with only 9 per cent unsold. This suggests that Americans have not completely deserted the auction houses.

The top price was the £1,109,931 paid for a portrait by Mary Cassat of Madame de Fleury and her child, painted in 1890. It was one of the few occasions on which Cassat used a real maternal group for her mother and child paintings. The price was over three times the estimate.

"The Great Florida Sunset," as captured in 1887 by the 67 year old Martin Johnson Heade, a monumental work showing a pink streaked sky over a wild sombre marsh, sold for £876,261, on target. It is regarded as the last grand gesture of realistic landscape art in American painting.

"The Fisherman," by George Bellows, painted in California in 1917, sold for £759,426, way ahead of estimate, while "On the river," an impressionistic scene of a girl in a boat by Frederick Frieske, made £362,719.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday May 27 1988

Realism at the summit

THE IMMENSE media build-up which precedes all US-Soviet summits has proved to be very much a mixed blessing. It has the advantage of spurring on the two participants to reach agreements in important areas of East-West relations, but it can also distort the results. Both successes and failures tend to be exaggerated, leading sometimes, in the first case, to disappointments in subsequent months and, in the second, to an unnecessary period of cool relations.

It is to the credit of both President Reagan, who would like to end his presidency in a blaze of glory, and Mr Gorbachev, whose domestic standing would be enhanced by another foreign policy success while his economic reform programme is still under attack, that they have maintained cool heads.

Few fireworks

Officials in both Washington and Moscow have stressed that the world should not expect the fourth summit between the US and Soviet leaders to produce the same kind of fireworks as the last one in Washington in December 1987, when the INF treaty abolishing ground-based medium-range nuclear missiles was signed.

Indeed, it has been stated plainly that there will be no signature on this occasion of a treaty reducing by half the superpowers' arsenals of long-range strategic nuclear weapons, as was originally hoped. Though considerable progress has been made on the way to a Start treaty in the Geneva nuclear arms control negotiations, there is still disagreement on a number of vitally important issues. It would have been courting disaster to have attempted to rush through a highly complicated accord without a clear solution to such contentious problems as whether mobile land-based missiles should be permitted or whether the US should be allowed to deploy submarine-based cruise nuclear missiles.

The history of the INF agreement has proved to be a salutary lesson to both sides. Though it was negotiated down to the finest detail, its ratification has been held up in the US Senate for months due to objections to its verification and other provisions. Only an eleventh-hour move to limit the debate on the treaty before the final vote may enable President Reagan and Mr Gorbachev to exchange the instruments of ratification in Moscow, and thus put a gloss on what is likely to be a meagre catalogue of arms control agreements.

It may be possible, as President Reagan has indicated, to reach a Start agreement before the end of the year, to be signed at a final summit before the US President leaves the White House. Yet it must be assumed that the Senate will be even more rigorous in its examination of the much more complicated verification provisions of a Start treaty than it was in the case of the INF agreement. Realistically, it is probable that ratification will have to await a new President.

However, summits should not be judged on immediate results alone. President Reagan's and Mr Gorbachev's main achievement is to have created an atmosphere of much greater mutual confidence between Washington and Moscow, which has permitted a genuine relaxation of East-West tension. In the absence of such a regular exchange of views at the highest level, which gives a much needed political impulse to the solution of seemingly intractable problems, an INF agreement would probably not have seen the light of day and the Soviet military withdrawal from Afghanistan might not be taking place.

Durable improvement

If the same kind of goodwill is now applied to the solution of other regional problems, such as the Iran-Iraq war, the Arab-Israeli conflict and southern Africa, all areas in which the two sides have started to draw closer, and further progress is made on human rights issues, the summit formula for dealing with international problems will have found its justification.

What is important is that summits should be demystified. They should be seen not as providing instant panaceas, but as a continuing process for defusing US-Soviet and East-West tensions and for laying the foundations of a durable improvement in relations.

Deficiencies of law making

THE USUAL complaints about the formalism, high costs and inaccessibility of the English judicial process have been overshadowed recently by the disharmony between judges about some basic principles of UK law and the consequent unpredictability of their decisions.

The rejection by the Court of Appeal of claims against member states of the insolvent International Tin Council is seen as a reversal of the generally accepted view that companies and partnerships can limit their liability towards creditors only when their limited liability is registered and shown on their letterheads.

Instability

Another decision, this time by the House of Lords, revealed an alarming instability of their Lordships' views on one of the fundamental features of the arbitration process. The judgment concerned the old problem of whether courts can strike off arbitrations left pending over the head of the defendant, like the sword of Damocles, by a plaintiff who remains inactive, sometimes for more than 10 years.

Some eight years ago, Lord Donaldson, Master of the Rolls, then a High Court judge, held that arbitration should be struck off in the same way as litigation would be under such circumstances. He was confirmed by the Denning Court of Appeal, but to the dismay of the business community this decision was reversed by the Law Lords in 1981.

Seven years later, in Food Corporation of India, the Law Lords now say that they were wrong to reverse Lord Denning. They suggest Parliament should undo their misjudgment – though it is difficult to understand why they could not do it themselves and reject the appeal on the facts, if they thought fit.

An alarming hesitation and lack of lucidity in the interpretation of statutory law – itself obscure enough – has been demonstrated by the courts in the industrially important copyright protection of spare parts. This was established by High Court decisions which experts, including leading judges, always considered to be a misunderstanding with absurd consequences. Though provided with an opportunity to correct it in the Leyland case, the Law Lords only side-stepped it by inventing the "right to repairs".

In the Lego case, they have now weakened the spare parts copyright but left it to lower courts to interpret their judgment in a variety of ways. The resulting uncertainty stretches back to the past as the judgment is, of course, retroactive, as are all English judgments.

In the recent "equal pay" case, the Law Lords imposed stricter requirements on employers than could be assumed to exist either under UK statute or under European Community rules – and they did so again without limiting the retroactive effect of their judgment.

While so radical on equal pay, the Law Lords have proved to be extremely diffident in the Amstrad case, where they found it impossible to outlaw assistance to breaches of the Copyright Act by home copying, which, as they said, run into millions. Instead they appealed to Parliament that "law which is treated with such contempt should be amended or repealed."

If other professionals operated in this way, they would expose themselves to malpractice suits. In the case of judges, one must seek remedies on a higher plane.

First, there seems to be an urgent need for a clear statement of the rules of interpretation which would reduce the influence of personal idiosyncrasies.

Retrospective effect

Second, when judges upset legitimate expectations created by their previous decisions – and this, as the Law Society points out in its just published report on tax law, is a frequent occurrence – they should limit the retrospective effect of their judgments, as US courts and the European Court do without hesitation.

And finally, there is obviously need for a much greater and faster legislative intervention in business law. This would be possible if politically uncontroversial matters, as for example arbitration procedure, could be processed by a Select Committee of both Houses of Parliament and treated as a bipartisan legislative project.

Stewart Fleming and Quentin Peel look at the forces that have pushed the superpowers together

Closer than ever before

THE MOSCOW SUMMIT, which starts on Sunday, runs the risk of being seen as essentially symbolic. It lacks the dramatic centrepiece provided by the signing of the Intermediate Nuclear Forces (INF) treaty in Washington in December or the dramatic discussions at Reykjavik a year earlier. But the fact that the summit is going ahead without a substantial agreement to sign – on strategic nuclear arms cuts, for example, or resolving some issue of regional contention – underlines its importance as part of a remarkable new process of regular consultations between Moscow and Washington.

In the two-and-a-half years since President Ronald Reagan first met the Soviet leader, Mikhail Gorbachev, at the Geneva summit in 1985, the two superpowers, while not abandoning their visceral hostility, have entered into a more businesslike relationship than at any time since the Second World War. "I think you are seeing a degree of engagement on a range of issues such as we have not had before," says Mr Helmut Sonnenfeldt, a former top State Department official whose summit experience stretched from the Eisenhower to the Ford presidencies.

"There is really nothing that is off the agenda, whereas we, in our period of doing this, found there were some areas that were fenced in. On human rights issues . . . for example, we could leave papers on the table that were picked up by unseen hands at the end of the meeting, and we could talk about individual cases. But it was just not possible to talk about religion or psychiatric wards or all the other issues that are being talked about today."

In Moscow, Mr Georgy Arbatov, Director of the Academy of Sciences' Institute of US and Canadian Studies, makes a similar comparison with the past: "Previously, our goals were more limited . . . to lessen tension. Now we have the possibility to move towards demilitarisation in Soviet-American relations, to remove the infrastructure of the Cold War."

Not only is it the fourth summit since 1985, but since then the two chief diplomats, Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, have met no less than 26 times for substantive talks. At lower levels, a whole host of government officials, businessmen, journalists, academics, scientists, actors and writers and musicians, not to mention plain tourists, have stepped up their contacts in a flurry of mutual exploration and discovery.

This depth, range and continuity of negotiations mark a maturing and normalisation of superpower relations. "It is no longer a process of détente between ideologically different countries but a process of negotiation between great powers," says Mr John Hardt, Associate Director of the Congressional Research Service.

The improvement of relations has been helped by the behaviour of the two countries' leaders. Mr Gorbachev has proved more radical and Mr Reagan more pragmatic than might have been expected. And in Washington's case the departure from the Administration of hard-liners such as Defence Secretary Caspar Weinberger has left another pragmatist – Mr Shultz – in charge of foreign policy.

But beyond such short term influences there are longer term pressures on the two nations which are encouraging them to seek a more stable *modus vivendi*.

Mr Gorbachev, for example, "needs to have an international climate which is demonstrably relatively stable and getting better, as a backdrop against which he can push through this crucial stage of *perestroika*," according to one seasoned foreign observer in Moscow. "When superpower relations are bad, there tends to be a total closing of ranks internally, in order to give the enemy no encouragement.

"It is only against a stable background that Gorbachev can afford the degree of relaxation in control of information that he is now indulging in."

The ambitions of peace and nuclear disarmament are genuinely popular with the Soviet people. And the stature Mr Gorbachev gains from the summitry undoubtedly gives him protection from possible domestic criticism. Smiling photographs of Mr Gorbachev and Mr Reagan can only enhance the prestige of the Communist Party General Secretary, at a time when there is no obvious successor in sight, even including his rumoured rival and deputy, Mr Yegor Ligachev.

All these are benefits Mr Gorbachev can hope to gain from the maturing of the relationship with the US. But he must face some risks in the process.

One intangible risk is the extent to which the whole process of exposing the West in general, and the US in particular, as something less than the epitome of evil will raise expectations which cannot be fulfilled. Given the slow progress of *perestroika* in boosting economic growth, raising quality standards, and producing more goods in the shops, the sight of Western living standards on the television, in occasional advertisements, in Western fashion magazines and films, must be frustrating.

The failure of *perestroika* to improve the supply of food and consumer products in the shops – heightened by a sugar shortage caused largely by an upsurge in the home-brewing of vodka in conditions of semi-prohibition – has caused an agony of soul-searching. The upheaval in the lives of ordinary workers forced to change their cosy jobs and working habits, the psychological onslaught of daily revelations about the iniquities of former regimes, all serve to create a climate of confusion.

The Soviet Union is currently far more concerned with this internal upheaval – the process of economic reform at the workplace, political reform in the ruling Communist Party, and most noticeable of all, a positive torrent of discussion and debate in the media on every subject from the crimes of Stalin's dictatorship to the inefficiency of the Soviet telephone system – than with foreign affairs.

The danger is that the complexities of international diplomacy, of mastering the intricacies of strategic arms limitation, the Middle East and the like, will distract Mr Gorbachev at an extraordinarily difficult time for internal party politics.

The United States, like the Soviet Union, senses that its commitments have begun to exceed its resources

The fact that Mr Gorbachev's draft law on co-operatives – a key part of his attempts to galvanise economic activity – was not rubber-stamped this week in the Supreme Soviet is just one vivid illustration of why he cannot afford to drop his guard.

He is not alone, however, in needing to balance the attention given to foreign affairs with the need to address domestic economic issues. There are economic pressures on the United States, as well.

The drastic restructuring needed to transform the Soviet Union into a modern advanced industrial state, is not, of course, comparable with the economic issues surfacing in the American election campaign. But economic pressures are encouraging American policy makers to hope for a breathing space during which the intensity of competition with the Soviet Union can be lessened and greater emphasis put on exploring opportunities where their interests may coincide – on arms control, for example, or containing regional conflicts in areas like southern Africa.

"Security has a lot more to do with economic capacity and our status in the international economy than we have acknowledged. We have defined it rather too narrowly in many of these debates," says Mr John Steinbrunner, Director of Foreign Policy Studies at the Brookings Institution, a Washington think tank.

This is a judgment which is shared increasingly even by many of those who were once the staunchest advocates of President Ronald Reagan's $2 trillion (million million) military build-up.

Politicians on both sides of the political fence are concluding that the military strengthening has been accompanied by a weakening of the manufacturing and financial base of the country. The US is suffering, on this view, from under-investment both of cash and political capital in improving the competitiveness of domestic industry and in the nation's human resources (for example, in education).

Economic uncertainties abound: for example, the dependence on foreign investors to finance the current account deficit; or the restrictions that federal budget deficits impose on Washington's ability to respond to changing domestic and international priorities, civilian and military. This in turn is putting undesirable strains on relationships among the Western allies, reflected in the US in the growth of protectionist sentiment and unhappiness with the sharing of the burden of Western defences.

The active search for allied support in sharing the economic burdens of superpower status is the clearest indication that the US, like the Soviet Union, senses that its commitments have begun to exceed its resources.

Since 1985, US military spending adjusted for inflation has declined by around 10 per cent. But the Pentagon's plans have not yet adjusted to the amount of money available.

"Even if military spending is held to the present level the next Administration will inherit a huge shortfall between the cost of currently planned defence programmes and the resources available to pay the bill," write Mr Lawrence Korb and Mr Stephen Daggett in a new Committee for National Security study of the military budget.

The 1989 budget request put in by Mr Frank Carlucci, the Defence Secretary – the most modest defence request of the Reagan era – represents the beginnings of a painful retrenchment, they suggest. Some fear it could mark the beginning of another of the drastic downturns in defence spending which have characterised the last 40 years.

The trend towards lower defence spending is facing the US military with harsh choices, which it must take into account in setting strategic priorities and in arms control negotiations with Moscow.

The Brookings Institution's Mr Steinbrunner argues that both sides are coming under similar pressures to cut their strategic nuclear arsenals. The up to 50 per cent cuts under discussion can be achieved, he maintains, without having any negative impact on either side's security. There is now, he argues, more security to be gained from regulating armaments than from technical advances.

It would be wrong, however, to suggest that a broad coincidence of interests gives an unremitting inevitability to this new era of US/Soviet engagement.

In Washington, officials are eyeing Central Europe nervously, for example, and expressing fears that a region which has given the world many worries in the past could once again be a source of unpredictable tensions. Thus, paradoxically, the emergence of trends towards liberalisation in Eastern Europe – something that from Washington's perspective could be labelled a success – might be a source of new tensions.

For Mr Gorbachev, the risks are greater. Yet he seems to have calculated that, for him, there is no alternative. Foreign policy successes may not win him the party conference support he needs to entrench *perestroika*, and June will be a long, hot struggle for the soul of the party. But without the summit he would be worse off, not better.

More than that, if he can prove to his domestic audience that there is a clear relationship between internal reform and external credibility, and that his advisers' claim that the summit will "bury the corpse of the cold war" is a reality, then he may yet win a few more sceptical hearts and minds for *perestroika*.

That inch-by-inch process of conversion is taking place in Washington as well as Moscow. The deepening and widening of the relationship between the two nations reflects, perhaps most of all, the fact that more and more American policymakers are starting to see Mr Gorbachev, in Mrs Margaret Thatcher's words, as a man they can do business with.

OBSERVER

Currie for the LBS

■ The successor to Alan Budd at the London Business School is David Currie, presently head of the economics department at Queen Mary's College, London. News of the appointment drew general approval from City economists when it filtered through yesterday.

Budd takes over as economic adviser at Barclays on August 1 and Currie hopes to be installed at the LBS shortly after that. He will take over all Budd's old duties, including directing the School's Centre for Economic Forecasting.

The chief talking point is what sort of economist he is. Budd started as a monetarist, then partially recanted. Currie is variously described as a Keynesian, an unreconstructed Keynesian or a semi-reconstructed Keynesian, depending on which economist you speak to. All of them agree that he thinks the money supply is important in the formulation of economic policy.

Much of his recent work has been on the exchange rate and the setting of appropriate targets for economies suffering from external shocks. David Morrison of Goldman Sachs, who wrote the recent paper on sterling that sent the pound shooting up against the Dmark, describes him as one of the best of the modern academics.

Currie is 41. He took a first in maths at Manchester in 1968, a further degree in national economic planning at Birmingham and did his Phd at Queen Mary's College. He has advised the Treasury and the Bank of England and is currently a visiting consultant to the research department of the International Monetary Fund, where he was yesterday.

A question has been raised as to whether he can write the sort of English that non-economists can understand. One of his articles is called Time inconsistency and optimal policies in deterministic and stochastic worlds. ("Stochastic", a word now rarely used, means pertaining to conjecture.) His admirers say that he will adapt – perhaps even to the simpler ways of economic journalism.

It was not held against Currie that he is presently an adviser to the Labour Party on economic policy. One of the candidates he defeated for the job was a Treasury official proposed by the Permanent Secretary.

The roses arrive

■ Full marks to Felton's florists of Cheapside and the new Interflora service to Moscow. A "test" bouquet of pink roses were delivered to the wife of our Moscow Correspondent late yesterday afternoon. The £30 charge, including £10 for handling and VAT, left £20 which ran to seven pink roses, lots of greenery a ribbon, and two delivery women with beaming smiles.

No chess queens

■ The provision of an international chess tournament to give 23-year-old Susan Arkell the opportunity to become Britain's first women's international chess grandmaster has raised a few eyebrows at the scoring distinctions between male and female players.

Women need fewer points than men to achieve grandmaster status, but as a result have to live with the implication that they belong to the more stupid sex.

Arkell can live with this and puts it down herself to "probably something in the brain"

The British chess grandmaster Ray Keene, who has organised the Watson, Farley and Williams international chess challenge at Minories House from today until June 7, feels that social conditions have more to do with the difference.

"In mixed schools girls are as

good as boys until they reach puberty, after which they tend to let the boys win."

That did not apply to the world's leading woman player, Maia Chiburdanidze who was beaten physically by her mother if she lost. She is still outside the top men's rankings and even in the Soviet Union, where chess coaching starts early, the men outperform the women.

Keene thinks that the different scoring structure is wrong and blames the indifference to change on a World Chess Federation "run by some extremely chauvinist third world patricians".

Oonagh Whitty, a partner at Watson, Farley and Williams solicitors was surprised to hear of the scoring arrangements. As she pointed out, women solicitors on average achieve better law degrees than men and because of this have become highly prized in City firms.

Fenchurch bets

■ The first bookmakers shop to be installed in a railway concourse opens at Fenchurch Street Station next week. Station manager Wilfred Raleigh said he did not know whether the 33,000 daily commuters in his care were a gambling lot.

He thought it unlikely that the bookmakers would be taking wagers on the arrival of trains. His station, he said, had not been too badly affected by problems with the new South East network timetable, unlike Waterloo where the spate of guard throttlings is beginning to subside.

Kensington shocks

■ The Parliamentary by-election in Kensington caused by the death of Sir Brandon Rhys Williams last week promises to be among the most famous ever fought, partly because of the nature of the constituency and partly because it will be the first this Parliament.

On Wednesday night the local Labour Party voted by a narrow majority to drop Ben Bousquet, its candidate at the last two general elections, in favour of Ann Holmes who stood in 1979. Bousquet is a moderate black whom the local organisation thought might not be able to stand up to the heat of national media coverage. Although Holmes stood for Calder Valley in the last general election, she has political roots as a councillor in the Kensington area.

Bousquet and Rhys Williams were good friends, often cooperating to forestall violence in a constituency where the Notting Hill carnival creates tensions as well as pleasure every summer. Both were resentful that their national party headquarters refused to recognise that Kensington was a potentially marginal seat at the last two general elections.

The centre parties have their own troubles. A spokesman for David Owen's SDP said yesterday that one of the four candidates hoping to be selected as its candidate is Tim Brittain-Catlin, nephew of Shirley Williams who is now in the Social and Liberal Democrats. The Tories have yet to make a choice.

POLITICS TODAY

Not quite the Sermon on the Mount

By Joe Rogaly

"FATHER, is your Son a Thatcherite?" To tell the truth, it is not given to any of us to pull off an interview with the Highest Authority, at any rate not while we are down here — but where else could a computer-bound scribe go?

To a *deus ex machina*, of course. For the answer to Britain's political question of the moment could not be found upon the earth. It has to come from Above, as befits the end of a week that began with the Prime Minister, Mrs Margaret Thatcher, quoting scripture in support of her policies and continued with a flurry of theocratic argument of a quality that would be spurned by the Tehran parliament on an off-day.

"How can you ask that?" It sounded like a booming female Voice coming down from the early summer sky. "Not even she has claimed that any part of Me is what you call Thatcherite. When she addressed the Elders of my Scottish House she spoke approvingly of my Chosen ones, the Jewish prophets and their Old Testament. But most of them failed to recognise my Son when I sent him down to earth, perhaps because he was in the raiment of a good Jew himself. He was born in a stable, of humble parents, but she did not dwell upon this factor."

There was a pause, and a feeling that thunder was building up in the air.

"She spoke of Paul, who never got over his conversion on the road to Damascus, and bangs on about it even to this very day," the Voice continued. "It gives a meaning to the notion of Eternity that is entirely new." Was that a slight chuckle I heard? "She reminded you that Paul said in his Second Epistle to the Thessalonians that if a man will not work he shall not eat. This did not mean that if a man has to pay six tithes of his income in taxes he shall not work but that if he has to pay only four tithes he shall work like the Fallen Angel himself. I sometimes wonder why I gave some people the gift of Logic. For she need look only at herself for the answer. She boasts that she pays herself less than she could, yet I can confirm that she works thrice as hard as any in the land."

There was a most charitable pause, while my hand struggled to take the verbatim note. "Ready? — She was given the Talent of a good legal mind. She should use it. The trouble is that you all hurt her feelings when you called her "milk-snatcher" in the early part of her career. She does not like being thought of as hard, or uncaring. But give credit where it is due. At least she does not argue, even in my most muddled English House, that my Son died on the Cross as an act of Sacrifice for the wealthy or the enterprise society."

"I see what you mean, My Lord. All that stuff about it being easier for a camel to pass through the eye of a needle than for a rich man to enter your Kingdom in Heaven. And that time He went into the temple to clear out the money-changers. Of course — He was against the rich."

"You still do not understand. Even for one of my Lesser Creations you really are pretty stupid. I will say this slowly. Rich, poor, white, black, male, female, clever and, (here there was a distinct rumble from the gathering clouds) even those as stupid as you, are all part of My Kingdom. My Son was not sent down to Earth to preach against any class of human being. He is not any more against going into business now than he was when he was 'King of the Jews' in Bethlehem. He did not even speak directly against the Romans. 'Render unto Caesar . . .', he said, and I was proud of his quick-wittedness in what could have been a tight spot at the time."

'In Mrs Thatcher's kingdom the strong current of favour is for the rich and successful, not for the poor'

There was a sudden spread of blue. A ray of sunshine beamed down. "It is not a question of being against the rich: your Prime Minister is right when she says that everyone should do their best with the abilities they have. It is a matter of the total of love for all the inhabitants of My Kingdom. In her kingdom the strong current of favour is for the rich in particular. It is for the successful. It is not for the poor. It does not succour the unsuccessful. And, by the way, it is extremely iffy about us blacks."

"So Father — or is it Mother? . . ."

"Father will do. I am Everything. I just used a female Voice and said 'us blacks' to make a point."

"Thank you, Father, are you saying that it's OK to be very very rich?"

"I am saying, dolt, that it is OK, as you put it, to be anything at all — provided you know and feel the life of the Spirit, and understand that Love for me is the same as Love for all my Creatures."

"Perhaps you are saying that it is hard for someone who concentrates on being very rich to find time and energy for the life of the spirit? This is the interpretation of the story of Dives and Lazarus that is given in the book of one of Mrs Thatcher's most influential advisers, Professor Brian Griffiths. According to Professor Griffiths's book, The Creation of Wealth, this parable teaches that wealth gives people a false sense of security. 'It deadens the life of the spirit; it makes people unresponsive to the good news of the gospel. According to Jesus it leads to an indifference to the suffering and poverty of the world.'"

"My Son is right. But you must use your own brain to work out whether Brian is wrong. He is not one of those who believes that to serve Me one must reject the life of the material world, as do monks and nuns. Look on page 62. 'The challenge for the Christian,' he writes there, 'is not to reject the material world and the creation of wealth in favour of some higher spiritual priority but to serve others through the process of wealth creation in the perspective of serving God.'

"Others put it differently. The Christian Socialists of the last century and their descendants among some of the High Anglicans of today, believe that to serve their fellow-man is to Serve Me. They say — and you must judge for yourself — that this is the way to interpret my Action in sending my only begotten Son to die to save mankind."

"But, Father, Yours is a Spiritual Kingdom. It is not to do with the great consumption of material goods, or even their redistribution."

"You are still in the Griffiths book. Did I not give you a mind of your own? He says: 'Not only is it impossible to deduce socialism from the Kingdom of God: it is impossible to deduce any economic system. In arguing that a socialist system is not the logical outgrowth of the Kingdom, I am not for one moment suggesting that the market economy or democratic capitalism or some such concept follows logically either.' Think about that, idiot."

"I think, Father, that you are saying that everyone quotes your Scriptures to support what they do. The South African Government is deeply religious, although the Dutch Reformed Church is divided. Yesterday it celebrated 40 years in power — and its Minister of Constitutional Development, Mr Christiaan Heunis, has argued that the key to its success lies in its 'declared and profound dependence on Almighty God.' Even Nicaragua has its eloquent Catholics in the Government. Now Mrs Thatcher is seeking what everyone is calling the 'moral high ground,' and some votes in Scotland, by speaking of her faith, as she did again on Wednesday. And her political opponent, Mr Neil Kinnock, is outraged."

"You are starting to use the brain I gave you."

"But who is right, Mrs Thatcher or Mr Kinnock?"

"Brain-failure again. It is one of the penalties of My invention of free will. Listen very carefully. They are both right, and they are both wrong. Mrs Thatcher is right when she says that everyone is responsible for their own actions. I designed your species that way. Of course people should be good neighbours, although she has trouble with her own conscience when it comes to loving her neighbour as herself. She is right to call for more individual care, more charitable giving."

"But?"

I thought I heard what sounded like a sigh. "She is wrong to give the impression that this call absolves her from the responsibility of running a Budget that gives more to people who cannot help themselves. She is wrong to give so much stress to the individual that she denies the community. As Brian acknowledges, the very concept of a Trinity is that of a community. Christianity is about community as much as about the individual. And she has a great problem in Logic when she tells people for nine years that the mechanics of self-interest create wealth and are good and then stops in the tenth to say turn away from self-interest and give of what you have created to others."

"You mean, father, that her sermons would have carried more conviction had they come at the start of her term of office?"

"Wonderful! You do have glimmers of understanding!"

"Thank you, Father. But what about Mr Kinnock?"

"His policies are no more part of My Kingdom than are hers. He wants to help the poor and the unsuccessful. He is unequivocal about loving all races equally. He is no longer saying that he hates the rich. All of these things are Good. But he loves the self-serving barons of the trades unions more than anyone else. He uses my Gift of Speech too extravagantly — when he comes Here I shall set him beside Paul. He cares as much about bringing his Party along with him as he does about getting his Values right. He wishes to spread wealth that people will doubt that he can create. He does, however, have one particular Virtue that I wish other politicians would share. . . ."

"What is that, Father?"

"He does not claim to speak for Me."

The atmosphere cleared. The sky was changing again, back to the emptiness that is so familiar. Was there still time for more?

"One last question Father," I shouted. "Is she going to change her Foreign Secretary? Or will the fact that he is a practising Christian save Sir Geoffrey Howe from promotion to, if you will forgive the term, the House of Lords?"

I thought I heard a distantly receding chuckle.

"Only I know that."

Lombard

The tyranny of paper degrees

By Michael Prowse

HOW MANY letters do you have after your name? Do you have a professional qualification? Do you have a degree? What class is it? Do you have a doctorate?

I need to know these little details because without them I cannot assess your true worth. Indeed, if you don't have enough of the right stamps of approval, I will despise you. Your record of achievement in the decades since you left school or university is irrelevant. If you lack the right magic letters, you are still a failure and I will not consider you for promotion.

Like it or not, many of us think like this. We have been conditioned to respect academic badges. We are charmed by the doctor's brass plate, the professor's honorary degrees and the business executive's MBA. Most of these qualifications, of course, are not worth a row of beans. They tell us virtually nothing about the holder's present abilities.

There is only a tenuous correlation between academic achievement and performance in other spheres, and it weakens over time. Indeed, exam performance is not even a particularly good guide to academic research promise: Albert Einstein was toiling in a patent office rather than lounging in an ivory tower when he wrote The Theory of Special Relativity. Why? Because his student record was mediocre.

It was encouraging this week, therefore, to see two government ministers sweeping aside artificial entry barriers in occupations facing manpower shortages. Mr John Moore, the Social Services Secretary, announced that future trainee nurses will not need the equivalent of five "O" level school-leaving certificates. As he rightly pointed out, there are plenty of people around who would do the job extremely well even if they do happen to lack these particular badges. Nobody is saying that Mr Trevor Clay, the general secretary of the Royal College of Nursing, is incompetent; yet he — the product of a less restrictive era — has no "O" levels.

Mr Moore's proposals were well received, but Mr Kenneth Baker, the Education Secretary, attracted near-hysterical opposition from some union representatives when he proposed an easing of entry restrictions for school teachers. Mr Baker is proposing to grant teaching licences to people recommended by school governing bodies and local education authorities, regardless of whether they have received formal training.

This seems rather sensible. Under present rules, Sir Terence Burns, the chief economic adviser at the UK Treasury, would have difficulty getting a job teaching economics in a state comprehensive (although a few public schools would probably take him on probation). Mr John Major, the chief secretary to the Treasury (and a possible future prime minister), would be an even weaker candidate: like many working class children, he left school early to make his way in the world.

For the teaching unions, however, the quality of the individual matters not a jot. The important question is whether you have the right badge. Mr Baker has committed a grave crime because, as one spokesman put it, "governors can now appoint any Tom, Dick or Harry."

There is nothing special about teaching and nursing. The badges insisted upon in other occupations are equally unreasonable. We need Baker/Moore-style interventions in areas such as accountancy, law and medicine, not to mention the civil service, where academic qualifications still tend to set the boundaries of careers. Few permanent secretaries started out in Whitehall as anything other than gilded Oxbridge graduates.

The war against academic badges is not going to be won overnight. Indeed, it will probably never be won: too many people have too much to lose from the abolition of this form of discrimination. In a rational world, however, the solution would be straightforward. Degrees and other examination results, like the drugs doctors prescribe, would have expiry dates. A BA (honours) would be good for, say, five years. After all, how many of us still warrant our qualifications? How many of us could still pass those wretched exams?

Letters to the Editor

Christian standpoint

From Mr E.D. Dyke.

Sir, Should there not be a greater sense of awareness that the present economic boom may not be born of prudent housekeeping, as we are somehow supposed to believe? Contrary to the Prime Minister's recent moral assertions, both the sale of UK national "silver" to ease the tax burden and the surge in property values have enhanced the level of wealth immensely, without any recourse to hard work.

The doubling of the collateral and rental values of property over the past three years has emerged out of thin air. If but 10 per cent of this spurious wealth provides for increased borrowing and consequent spending, something in the order of £80bn will be added to the total "spend." To this can be added the increase in average earnings — some 3 per cent ahead of inflation — plus inflated rent incomes and retail "plastic credit."

Unhappily, very little of this supposed wealth is of benefit to those who "have not." Furthermore, what if the property market suffers a collapse? Will the banks and shares take the strain when this collateral is no longer sound? If there is a downward spiral, where will charity be?

Surely the facts of life are that governments exist to aid and abet economic justice, to say nothing of prudence. Furthermore, from a Christian standpoint, what distinction is there to be drawn between the Good Samaritan and the willing taxpayer?

E.D. Dyke,
19 Approach Road,
Margate, Kent

Much talk of 'ceasing to be British'

From Mr B.A. Cole.

Sir, In the current discussion of Rowntree's and Cadbury's there is much talk of these fine companies "losing their independence" and "ceasing to be British" if they are taken over by a foreign company. I believe both of these expressions are purely emotional; they have no relevance to a rational consideration of the problem.

Who would lose their independence? Not the shareholders, most of whom would have exercised theirs by selling their shares. Not the workforce as a whole, who would still be subject to management by the organisational hierarchy, probably largely the same managers who run the company now.

The only people who would lose any independence would be the present board of directors. They would be subject to the control of another board, rather than (given the widespread holding of shares in both companies) being almost uncontrolled. Independence would be lost by no more than a handful of people.

Similarly: in what sense would the companies no longer be British? There is, I believe, no suspicion that Nestlé is planning to close down any plants in the UK in order to move production abroad, so the workforce would remain British, with all the contributions to the British economy that this implies.

Only — presumably — if plants became uneconomic would closures occur, and this would be likely to take place also under a "British" owner. Boards of directors of international companies have to structure their activities to be competitive, and if this means producing somewhere other than the country in which they are registered, they will do so.

Let us recognise these particular arguments for what they are: a cry to preserve privilege with no economic justification, and pure jingoism.

B.A. Cole,
"Drake Wood",
Devonshire Avenue,
Amersham, Buckinghamshire,

Television and Gibraltar

From Mr A.G. Deeks.

Sir, Mr Ledeboer (Letters, May 11), wonders how many agree with Christopher Dunkley's views (May 4) on Government objections to screening the *This Week* programme on the Gibraltar shootings.

Anxiety to learn the full facts behind the incident will not be quietened by the Government's attitude of believing only its own pronouncements fit for public eyes and ears. Mr Dunkley's balanced articles on May 4 and May 11 are typical of his approach to controversial issues facing television today. This thoughtful and thought-provoking attitude should be well received by "right-thinking people."

A.G. Deeks,
32 Henley Street,
Alcester, Warwickshire

Passing the pensions parcel

From Mr M.H. Oldfield.

Sir, Eric Short's article ("Passing the Parcel," May 23) makes uncomfortable reading.

The financial incentive for the Government to curb the cost of the state earnings related pension scheme (Serps) dovetailed well into allowing those with no occupational pension scheme to use their personal pension to contract-out of Serps. Regrettably, it was not allowed to end there.

Employees already in contracted-out occupational pension schemes were given the right to opt out of such schemes, and can choose to go back into Serps.

Even those who decide to opt out and take up a personal pension may later decide to go back into Serps. This is because, for the older employee, Serps offers a better return than a personal pension.

Employers were to be relieved of the administrative burden of employees opting out of an occupational pension scheme. However, someone has to do the work. The Department of Health and Social Security (DHSS) is not really in a position to do so; the Inland Revenue clearly does not relish the task, and the personal pension providers seem to think the duty "should be imposed on employers."

It is already clear that the April 1988 re-arrangements will not necessarily reduce the numbers in Serps. If employers have further duties (better expressed as cost) imposed on them if they run an occupational pension scheme, there will be further closures of such schemes.

M.H. Oldfield,
Allied Lyons,
Denmark Street,
Bristol, Avon

The judgment in 'the Lego case'

From Mr Iain C. Baillie.

Sir, In his article on the Lego case (May 12) Dr A.H. Hermann states that the appeal hung on the provisions of the 1956 UK Copyright Act.

In fact it rests on the combination of the UK Act *and* the Copyright (Hong Kong) Order, the effective date of which was 1973. "Any work made prior to that date (that is, 1973) was subject to the transitional provisions in Schedule 7 to the Act."

It was the impact of these provisions in Lego's pre-1973 drawings which raised the first question in the appeal. Without going into the details of the case, Privy Council distinguished between capable of registration and novelty; it effectively came to the conclusion that, if a design would have been capable of registration if it had been novel, then it was precluded from protection under the Copyright Law.

Also the Privy Council held that the design did have "eye-appeal," and came to the conclusion that the design in question fell within the third possible definition listed in the decision.

The Court then turned to the post-1973 position, and held that *re-drawing* the same design with minor alterations did not create a new copyright. "Skill, labour or judgement merely in the process of copying could not confer originality." It is true the Court said: "essentially artistic copyright was concerned with visual image," but went on to say: "that was of particular importance in this case in which the artistic copyright claimed stemmed from drawings which were themselves out of copyright and therefore available for copying." Their Lordships could see no alteration of any visual significance such as to entitle the drawing, as a drawing, to be described as original.

The Court did not hold that "copyright protection of spare parts and other products made on the basis of engineering drawings, models or other documents has been struck off with immediate and retroactive effect." Such a statement is completely misleading.

This case does not appear to affect the position in the UK that:

● 1. If the drawing is of an article which is new in visual appearance and not copied from a previous article or drawing; and

● 2. The nature of the article is such that the appearance is solely determined by its functional characteristics so that it is not registrable given the decision of Apm Inc. v. Utilux; then

● 3. Under the current law that article will still be subject to copyright protection and, ironically, it will have a life of 50 years.

Moreover, if the spare part does have "artistic" content so it could have been registered but was not, then having regard to the provisions of the 1968 Act there will be protection, but only for 15 years.

Clearly the effect of the British Leyland Case and its prohibition on enforcement of copyright in spare parts will affect that field. Moreover — and more importantly — the Copyright Designs and Patents Bill presently going through the House of Commons will substantially change the law by the end of the year, but will introduce a type of protection which will have significance in regard to spare parts.

However, until that time I consider that it will be very dangerous for a business to rely on your reading of the Lego case as making it safe for it to "manufacture" by reverse engineering functional engineering articles.

Iain C. Baillie,
Ladas & Parry,
52-54 High Holborn, WC1

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FINANCIAL TIMES

Friday May 27 1988

Long Island $5.3bn nuclear plant to be sold for $1

BY RODERICK ORAM IN NEW YORK

A COMPLETED US nuclear power station is to be abandoned without being used, under an agreement in principle reached yesterday between New York State and Long Island Lighting Company (Lilco).

Years of public opposition to the $5.3bn Shoreham plant, some 55 miles east of New York City, had prevented Lilco from getting an operating licence. The financial burden of the project has kept the utility teetering on the edge of bankruptcy since the early 1980s.

Several other US utilities became similarly burdened by partially completed plants because of public concern in the wake of the Three Mile Island nuclear plant accident in 1979. Public Service of New Hampshire, which has a larger minority interest in the incomplete Seabrook power station, filed for bankruptcy earlier this year.

The tentative agreement between Lilco and New York State is seen as a potential public – private sector model to relieve other utilities of their plants to allow the companies to regain their financial health.

Lilco, which serves some 3m customers in eastern New York City suburbs and the rest of Long Island, will sell Shoreham for $1 to Long Island Power Authority, a state body set up last year to launch a full takeover bid for the utility.

LIPA in turn will contract with the New York Power Authority, a state-owned utility serving customers predominantly in the northern part of the state, either to mothball or dismantle Shoreham. Lilco will pay some $400m of the decommissioning costs. There are no plans to convert the 820MW Shoreham plant to fossil-fuel.

NYPA will take responsibility for building new generating plants on Long Island. Lilco will operate its existing plants, with 3,800MW of capacity, but will have to buy electricity to meet the demands of its growing customer base. Long Island faces the possibility of brown-outs (reduced voltages) and black-outs until new plants are built.

Shoreham, a General Electric plant, was first proposed in 1966. A construction permit was finally granted in 1973 when the plant's cost was estimated at $506m. The project was plagued throughout by cost overruns and mismanagement but it finally started up for low-power tests in August 1985.

It never entered service because of an effective campaign by local opponents who said that Long Island, linked only by bridges and ferries to New York and Connecticut, could never be safely evacuated if a nuclear disaster struck.

Many of the details of the Shoreham agreement have yet to be fleshed out. Lilco will, however, be allowed to recover some $3.7bn of Shoreham's costs through rate increases of 4-5 per cent a year for the next 10 years.

French interest rates edge downwards

By George Graham in Paris

THE BANK of France yesterday dropped its main money market interest rates by a quarter of a percentage point. The new intervention rate band of 7-7.5 per cent is at its lowest for two years.

The reduction was widely anticipated after a strong call for lower interest rates by Mr Pierre Beregovoy, the Finance Minister. But bankers were still impressed by the confidence shown by the move, coming only two weeks after Mr Michel Rocard's government took office and in spite of upward pressures on West German and US interest rates.

Mr Beregovoy yesterday described the interest reduction as "a signal of confidence in ourselves."

"If you reckon in terms of rules and tables you can always find a reason for not acting, but if you reckon in political terms, you can give the right signal."

However, the Bank of France simultaneously increased its obligatory reserve requirements, thus raising the cost of commercial bank funding. The central bank said the package was designed to leave "the global pressure" of monetary policy on the economy unchanged.

The combined effect of the measures is likely to lower financing costs for major companies, whose borrowings are often linked to money market rates. Base rates are unlikely to be moved, however, leaving borrowing costs for small companies and consumers unchanged.

Far from its traditional devaluation, the French franc has strengthened against the D-Mark since the arrival of the Rocard government. It remained firm yesterday at FFr3.3748, 0.62 per cent below its pivotal rate in the exchange rate mechanism of the European Monetary System.

Mr Beregovoy has made plain his opposition to a devaluation, and has insisted that the fight against inflation is his first priority. He believes, however, that French real interest rates are unnecessarily high.

Many financial market operators agree with his analysis. However, most believe that Mr Jacques de Larosiere, governor of the Bank of France, was already unwilling to concede yesterday's interest rate cut – insisting on the counterbalancing increase in reserve requirements – and will fight a further reduction.

OECD underlines limits of monetary policy, Page 3; Currencies, Page 35

US makes fresh effort to force Noriega into exile

BY LIONEL BARBER IN WASHINGTON

THE REAGAN Administration began a fresh effort yesterday to oust Panama's military strongman, General Manuel Noriega, by starting consultations with Latin American governments on ways of forcing him into exile.

Mr Elliott Abrams, State Department official for Latin American affairs, said US diplomats in the region were seeking advice on ways of getting rid of General Noriega following the collapse of direct talks with a US envoy in Panama late on Wednesday.

The switch to a multilateral approach on the Panama crisis suggests that the Administration wants to fend off criticism of its plan to drop drug trafficking charges against General Noriega in return for his agreement to go into exile.

The question is whether the collapse of direct talks amounts to a temporary setback or a definitive breakdown. From the Reagan Administration's viewpoint, General Noriega's failure to agree to a deal is, in the short-term at least, a tactical victory.

After two weeks of bruising criticism from Congressmen of both parties, mainly centring on the dropping of Federal drug trafficking charges, officials can now say that Washington is adopting a tough line.

The Administration may have calculated that a fresh approach after a successful Moscow summit next week, can take place in a less highly charged atmosphere.

Significantly, Mr George Shultz, US Secretary of State, chose to publicise the terms of the package offered to General Noriega after talks broke down. That suggests that for all the reported divisions within the Administration, the deal's main provisions have the backing of the President.

They include the suspension of US economic sanctions against Panama, the creation of a government of national reconciliation as a prelude to free elections in May 1989, the restoration of civil rights for all Panamanians and a new law *limiting the term of any* Panamanian Defence Force commander to five years (which would allow General Noriega to step down on August 12). In return, the US would drop drug charges against the general, who would leave Panama in September until the May elections, except for a "brief family visit" at Christmas.

It is difficult to see what other options Washington can pursue, other than using a different mediator (a Latin American diplomat) or, more unlikely, military force to oust the general. The latter option would be opposed by the Pentagon and would be a risky and bloody proposition in an election year.

So why did General Noriega fail to sign off? The answer appears to lie in some key details such as the Administration's insistence on recognising the ousted Panamanian President Eric Delvalle rather than General Noriega's appointee, Mr Manuel Solis Palma. Equally, there appears to be some dispute over the timing of the various announcements paving the way to the May 1989 elections.

The question is whether these differences can now be resolved by a fresh US approach or through the mediation of a Latin American third party. Despite the cheering in Washington yesterday, the pressure for a clean and quick solution remains as strong as ever.

David and Goliath, Page 5

Hong Kong corruption probe by Peking

By David Dodwell in Hong Kong

A TEAM of Chinese economists is to be sent to Hong Kong to investigate allegations of corruption among Chinese companies operating in the British territory.

The investigation comes after a two-year period in which thousands of mainland companies have set up shop in Hong Kong, most of them operating as trade offices for Chinese provincial bodies or municipalities.

Together with longer-established mainland corporations, they account for investments totalling about US$8bn, making China the biggest investor in Hong Kong by far.

More than 4,000 mainland officials are living in the territory on working visas, and it is widely known that there is extreme competition inside China to join the staff of these trading operations.

The investigating team, from Peking's Institute of Economics, will examine allegations that mainland companies have been embezzling funds, have made questionable investments and that some of their staff have developed extravagant lifestyles.

Concern appears to focus on a number of dubious business practices – among them that of "shadow pricing" exports from China: products are priced artificially cheaply from China to Hong Kong, then higher from Hong Kong to their ultimate destination. This allows an enterprise to accumulate foreign exchange outside China where it can avoid Chinese tax and can be used for purposes that might not be officially approved of.

Mainland officials in Hong Kong have denied that there are plans to send the team. But yesterday Mr Tsui Szeman, publisher of the monthly Mirror magazine, which has close access to Peking officials, said there were.

Mr Tsui is a delegate to the Chinese People's Political Consultative Conference (CPPCC). He recently aroused official concern by drawing public attention to alleged malpractices by mainland corporations active in Hong Kong.

Chinese officials in the New China News Agency, which acts as Peking's unofficial embassy in Hong Kong, insist that the problem is not big and argue that it would be unreasonable to expect there to be no examples of corruption or misbehaviour in such a large, and rapidly growing community of mainland officials.

Rowntree rebuffs Suchard

Continued from Page 1

achieve market leadership in numerous individual countries.

"The combination of the two companies' brands, which are complementary, and their respective strengths in different geographical markets, will give the enlarged group a more complete product range and wider market coverage than any other confectionery business in the world," he said.

He claimed further that benefits of economies of scale in distribution and research and development would be greater than those arising if Nestlé were to win control.

He also said that he had suggested a link-up with Rowntree in 1984, and had over the last three years deliberately held itself back from competing with Rowntree in certain key European markets with the hope of forming an alliance with the UK company.

"If Nestlé wins control," he warned, "we will come in quickly with a range of products to challenge Rowntree's niche products."

Trevor Humphries

Mr Klaus Jacobs, Suchard chairman, who stressed that global size was not the main rationale behind the bid

Mr Kenneth Dixon, Rowntree chairman, discounted this threat and challenged Mr Jacobs' version of the meeting in 1984.

He said that the arguments advanced in the defence document, although directed at Nestlé, applied equally well to the other Swiss company.

The document contends that Nestlé's offer underestimates the value of Rowntree

THE LEX COLUMN

Reed cashes in its paper

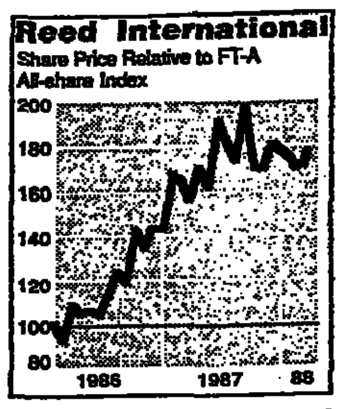
Reed International's decision to turn itself into a pure publishing company is in one sense hard to argue with. Like Bowater before it, Reed is finally cutting itself loose from its origins in paper; unlike Bowater, it has a coherent alternative to turn to. There is, *perhaps, a slightly modish feel to* it all — the move away from the conglomerate image, the shift from capital intensive areas. But there is something in Reed's argument that its publishing business is so widely spread as to be diversified in itself; and in any *case, having already split the* group into two in operational terms, Reed had to go the whole hog or have someone else do the job for it.

Indeed, the company may still be in for a risky transitional phase. Whether or not it has pub*lishing targets already lined up*, there is bound to be some earnings dilution in the short term. As Reed itself has demonstrated with the purchase of Octopus, big publishers are wickedly expensive these days; and if the £800m or so of cash were left in the bank, it would earn some £20m less before tax than the companies being disposed of. Reed would be a biggish mouthful – its market value is £2.3bn as it is – but a publishing business on a multiple of 13 with a net £600m in the bank would have no shortage of takers.

Yesterday's reaction – the shares rose only 8p to 423p – suggests that the market had not only anticipated Reed's move, but had priced it accurately as well. This seems a little grudging, but perhaps it will take harder evidence of Reed's intentions before the market thinks again.

Rowntree/Cadbury

Developments in the food sector are becoming ever more impenetrable. Suchard's motive in pitching its offer for Rowntree 50p below the market price is anybody's guess, as is the level of response which it will elicit from Nestle. Meanwhile, General Cinema's announcement of $1bn in fresh funds to buy Cadbury shares gives it scope more than to double its present holding of 18 per cent. This could be a ploy to flush out a defender for Cadbury, such as Coca-Cola, but it is curious that fresh twists of the General Cinema knife are generally timed to coincide with developments in the Rowntree saga.



In Suchard's case, some elements of the game plan are becoming vaguely discernible. Coincidentally or not, its bid at 950p, if successful, would lead to Suchard taking out Rowntree at an average price of some 890p – the price of Nestle's offer. Alternatively, Suchard insists that were Nestle to win control, it would be worth hanging onto its 29.9 per cent minority. A further lever would be needed to turn thatstake to account, perhaps in the form of a threat to aim competing products at areas of Rowntree strength – chocolate wafers, mints and so forth – which Suchard has hitherto left alone.

Amid all this, Rowntree's formal defence has been rather drowned out. In a sense, it is sadly irrelevant; the forecasts – 10 per cent more volume in Europe this year, further productivity gains in the UK – only underline its attractions. With neither bidder now in a position to buy in the market, there could be a lull for a while; but the game is not over yet.

Texaco

The market thinks Mr Icahn can't be serious in his record-smashing bid for Texaco, and it is not hard to see why. It comes from a man who just hours before was trying to sell his stake in the company...it is only open for 48 hours, it appears to be contingent on the support of a board that is unlikely to grant it, it would involve the most daring financing package ever, it faces all manner of legal obstacles, and so on. In fact the whole thing is so outrageous that in order to give the deal any credibility at all, Mr Ichan has had to bet Texaco $100m that he can find the money.

Despite such overpowering evidence, to interpret the deal as bluff may miss its simple ingenuity. Perhaps the bid is just a way *of propping up the share price*, or a threat to make Texaco drop its law suit against Icahn; more likely, though, it is for real. By offering $60 a share – a full price on almost any reading – Icahn is telling the board either to give up or to come up with something *better*. At the same time, by extending an offer to everyone Icahn has killed the image of himself as an ugly greenmailer. Either way he wins: if the bid "succeeds" there are enough enthusiastic buyers for some of Texaco's assets to make the num*bers work*, and if it "fails" a potential profit of well over the present $850m would be ample compensation.

Texaco, meanwhile, is in an impossible position, with the intolerable prospect of being owned by Icahn balanced by the apparent absense of any alternative to show its shareholders. And since arbs and opportunists dominate its register, a long term restructuring programme is not likely to secure independence for Texaco the way it did for USX last year.

Plessey

Getting to the other side of a profits plateau may be the sort of challenge a manager relishes, but it is a desperately boring business for shareholders. And no matter how much Plessey stresses the attractions of a £1.7bn year-end order book (swollen in any case by acquisition), plateau is still the word which comes to mind. Yesterday's reported 1.2 per cent decline in earnings per share before extraordinaries was scarcely the stuff to inspire a dull share price, and expectations of a miserly two or three per cent rise for the current year had a similar effect. And although this year will see the first contribution from the new telecoms joint venture with GEC – which should see strong demand from British Telecom as the company spends to improve its image – it is as difficult to figure out the size of this contribution as it was to determine the

SEC seeks wider powers

BY JANET BUSH IN NEW YORK

THE US Securities and Exchange Commission yesterday voted to ask Congress to broaden substantially its power to halt securities trading during emergencies and to give it regulatory oversight over stock index futures.

In an open meeting at the SEC in Washington, the committee voted for the first request unanimously but was split on the second with three votes for asking Congress for control over stock index futures and two against.

During the extensive discussions between regulators, exchanges and the Administration in the six months since the October stock market crash, the SEC has persistently argued for taking away control over stock index futures from the Commodity Futures Trading Commission, which regulates futures and options markets.

The question of who should regulate stock index futures, futures contracts based on the major stock market indices such as the Standard & Poor's 500, has been one of the central issues dividing the SEC and the CFTC during the last six months with the CFTC fiercely defending its right to regulate this area.

The working group set up by the Administration earlier this year to review possible legislation after the crash made no mention of this issue in its report last week, suggesting little support for the SEC's point of view.

The SEC already has power to halt trading in individual stocks; the CFTC already has the power to close down an entire futures exchange.

Anti-dumping tax on Japan

Continued from Page 1

Japanese dot matrix printer imports rose from 800,000 units in 1983 – 49 per cent of the EC market – to 1.5m units or 73 per cent of the market in 1986, the Commission said. EC exports to Japan dwindled from 1,040 units to nothing over the same period.

The dumping margin, or gap between high Japanese and low EC prices, varied from 4.8 per cent for Tokyo Electric, to 86 per cent for Fujitsu between April 1986 and March last year, the period covered by the inquiry.

As a result, EC competitors were forced to slash prices.

The highest duty, 33.4 per cent,levied on the seven worst offenders, is the least Brussels reckons is needed to bring prices high enough to ensure EC producers earn a reasonable profit.

Soviet reform proposals

Continued from Page 1

It spells out economic reforms still to be introduced, including the need to overhaul the banking and credit system and the heavily subsidised pricing system. However, it warns that "revision of retail prices must be done without detriment to the living standards of the population."

The central committee goes on: "Two to three years is not long enough to implement radical economic reform. The years of stagnation have put the country on the brink of an economic crisis."

The proposals call for urgent action to produce more food and consumer goods, to higher standards.

Its specific proposals for internal party reform say that no party office holder shall serve more than two five-year terms, unless three quarters of the party committee, voting in a *secret ballot*, shall agree.

The theses also propose what the official Tass newsagency described as "essential changes to the structure and size of the party apparatus,"

On foreign policy, the document is equally *scathing*. In the past, it says, it "did not escape dogmatic and subjective attitudes. In our bid for military strategic parity we occasionally failed to use opportunities available to attain security for our nation *by political means*, and, as a result, allowed ourselves to the lured into an arms race which could not but affect this country's social and economic progress, and its standing on the international scene."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	19	66	Dubrovnik	S	24	75	Malta	S	26	79	Rhodes	S	22	72
Algiers	S	24	75	Edinburgh	R	13	55	Manchester	R	11	52	Rio de J'o	R	23	73
Amsterdam	C	27	81	Faro	S	23	73	Manila	C	34	93	Rome	F	27	81
Athens	F	21	70	Florence	S	27	81	Melbourne	-	-	-	Salzburg	S	25	77
Bahrain	F	35	95	Frankfurt	F	28	82	Mexico City	F	27	81	San Francisco	C	16	61
Bangkok	F	35	95	Funchal	F	21	70	Miami	C	28	83	Seoul	F	26	79
Barcelona	F	21	70	Geneva	S	24	75	Milan	S	26	79	Singapore	F	33	91
Beirut	F	28	82	Gibraltar	S	23	73	Montreal	F	10	50	Stockholm	F	20	68
Belfast	F	14	57	Glasgow	R	13	55	Moscow	F	25	77	Strasbourg	S	26	79
Belgrade	F	24	75	Guernsey	F	13	55	Munich	S	24	75	Sydney	C	20	68
Berlin	C	27	81	Helsinki	F	19	66	Nairobi	C	22	71	Taipei	R	27	81
Biarritz	R	14	57	H Kong	R	26	79	Naples	F	24	75	Tangier	F	22	72
Bombay	S	33	91	Innsbruck	F	26	79	Nassau	C	29	85	Tel Aviv	C	27	81
Bordeaux	C	16	61	Inverness	G	15	59	New Delhi	F	44	111	Tenerife	C	23	73
Brussels	C	21	70	Islamabad	F	42	108	New York	C	14	57	Tokyo	F	23	73
Budapest	F	25	77	Istanbul	C	18	64	Nice	S	22	72	Toronto	F	13	55
B. Aires	F	15	59	Jakarta	R	34	93	Nicosia	C	28	82	Tunis	S	25	77
Cairo	F	41	106	Jersey	F	17	63	Oporto	S	17	63	Valencia	S	25	77
Cape Town	F	18	64	Jo'burg	S	21	70	Oslo	C	18	64	Venice	S	24	75
Caracas	C	28	82	Lima	F	22	72	Paris	C	20	68	Vienna	F	24	75
Casablanca	C	21	70	Lisbon	F	22	72	Peking	S	25	77	Warsaw	F	25	77
Chicago	F	15	59	London	C	17	63	Prague	F	23	73	Washington	F	11	52
Cologne	S	27	81	Los Angeles	C	24	76	Reykjavik	S	11	52	Zurich	S	23	73
Copenhagen	F	18	64	Luxembourg	F	23	73								
Corfu	S	25	77	Madrid	F	21	70								
Dallas	-	-	-	Majorca	F	23	73								
Dublin	C	16	61	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Texaco describes Icahn bid as a joke

Continued from Page 1

per cent bolding in Texaco. KKR controls an equity fund of at least $5bn for equity investment in takeovers and leveraged buy-outs. While KKR has denied colluding with Mr Icahn, it could well throw its massive financial weight behind him or another bidder in a takeover battle.

The most obvious way of financing a bid *for Texaco* would be through rapid asset disposals. Mr Icahn has also said that he plans an immediate sale of Texaco's 78 per cent interest in Texaco Canada plus its half-share in Caltex, a marketing joint venture with Chevron covering Australasia and the Far East.

Husky Oil has publicly said that it would pay around $2.5bn for Texaco Canada and the company has also had approaches from Mr Armand Hammer of Occidental Oil.

Above all, of course, there is the value of Texaco's crude oil reserves and highly profitable US marketing network. Why then, is there so much scepticism about the possibility of a full bid from Mr Icahn or some other player?

There are at least three major sets of legal hurdles. Like many other large US companies, Texaco has instituted poison pill arrangements which would have to be voided by a hostile bidder through months of costly and uncertain litigation. The company is also protected by the recently enacted Delaware state *anti-takeover law*.

Finally, the covenants agreed by Texaco with creditors when it emerged from bankruptcy last month amount to a huge potential obstacle to any highly leveraged takeover bid.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday May 27 1988

Beecham signs first Saudi drugs licensing agreement

BY LYNTON MCLAIN IN LONDON

BEECHAM, the UK pharmaceutical group, yesterday signed the first international licensing agreement by any company for the transfer of pharmaceutical technology to Saudi Arabia.

The agreement is to enable Beecham penicillin antibiotics to be produced in a £55m ($102m) plant to be built by the Saudi Pharmaceutical Industries and Medical Appliances Corporation (Spimaco) at Al Qassim, 300km from the capital Riyadh.

The factory will be Saudi Arabia's first pharmaceutical plant and will make the country self-sufficient in certain types of penicillin. The plant will be supplied with bulk raw material by Beecham for conversion into medicines.

The licence agreement was signed in London by Mr Paul Tatman, managing director of Beecham Pharmaceuticals' worldwide commercial operations, and Dr Saleh A Al-Omair, deputy minister for finance for Saudi Arabia and chairman of Spimaco.

The Saudi minister said that the possibility of a further four pharmaceutical factories was under discussion. These would involve technology complimentary to the Beecham penicillin technology and would also involve a transfer of technology to Saudi Arabia. They could involve pharmaceutical companies other than Beecham, although "it is intended that the agreement will form the foundation for expanded collaboration in the future between Beecham and Spimaco", the Saudi company said.

The agreement was described by Spimaco as "one of the first of a series of licensing agreements it intends to sign with major research based pharmaceutical companies".

The new factory is to manufacture 80 different pharmaceutical products and wil provide about 25 per cent of Saudi Arabia's essential medicines.

The first products to be manufactured are to include the Beecham semi-synthetic penicillins, Amoxil and Penbritin, both available on prescription in the UK.

Several forms of penicillin will be produced from the factory, including up to 50m capsules of penicillin a year, tablets, cream syrup, ointments and injectable antibiotics.

The Saudi Pharmaceutical Industries and Medical Appliances corporation, is to use the plant at Al Qassim to supply the Saudi home market, both the government and private sectors, and other countries in the Gulf Co-operation Council states.

The agreement will involve the transfer of manufacturing technology, continuing specialist support for a range of Beecham oral antibiotic drugs and also support of the Beecham Scientific Office in Saudi Arabia.

VW sues two for currency fraud

VOLKSWAGEN OF America, a unit of the West German motor group, said it had filed a suit against two former employees for allegedly defrauding the company of millions of dollars through a foreign currency trading scheme, Reuter reports from Detroit.

The two, Mr Nicholas Carucci, who had been a manager of group banking operations, and his wife, Donna, an executive secretary for VW, allegedly "engaged with others in a scheme to skim company profits by agreeing with exchange traders at our parent company to engage with bogus (foreign currency) transactions with the Hungarian National Bank," according to the Volkswagen of America lawsuit.

The suit alleges that the Caruccis "bought or sold US dollars at rates that deviated from actual market rates. . . the intent was to resell the same US dollars at higher market prices and to keep for themselves the second profit."

According to the lawsuit, the scheme involved arbitrage by the defendants designed to protect them from losses if the dollar failed to rise.

In addition, traders allegedly engaged in bogus transactions with the Hungarian National Bank as part of the scheme, the lawsuit said.

The Caruccis allegedly transferred the money they skimmed from Volkswagen to at least five companies that they had registered in Lichtenstein in Western Europe, the lawsuit said.

In a related action, the West German Government began more than a year ago a criminal investigation of several West German Volkswagen employees associated with the Caruccis regarding foreign currency transactions, the company said.

Kevin Brown on how James Sherwood brought about a recovery at a US shipping group

Sea Containers charts profits course

Ashley Ashwood

James Sherwood: Fight to get ships back to sea

MR JAMES SHERWOOD, the genial president of Sea Containers of the US, has hardly been off the front pages of most British newspapers this month.

The excitement was caused by his intervention in a bitter dispute between the British seamen's union and P&O, the UK's largest shipping company.

Mr Sherwood became involved when the dispute spread to the ferry fleet operated by Sealink, the Sea Containers subsidiary which is P&O's main competitor on the English Channel routes.

For nearly two weeks, Mr Sherwood fought to get the fleet back to sea, first negotiating, then going to court, and finally publicly criticising Sir Jeffrey Sterling, P&O chairman, after reaching a peace deal with the union.

Mr Sherwood's high profile performance surprised many in the staid British shipping community, and his criticism of Mr Sterling was widely thought to reflect his own more volatile nature.

The episode reflects a dramatic change in the profile of the Sea Containers group, which acquired Sealink from the UK Government for £66m ($118m) in 1984.

Sea Containers posted net profits of $70m that year, of which Sealink contributed only $15m. But revenue jumped from $143m to $369m, indicating that there was plenty of potential for future profits if Sealink's costs could be reduced.

Mr Sherwood was widely thought to be exaggerating when he forecast that profits from Sealink would equal those from container leasing within three years. He was almost right. But not for the reasons he expected.

The group ran into trouble in 1986, when route closures and redundancy payments costing nearly $43m coincided with a weak market in container leasing, and defaults by 15 top customers.

Sealink made a profit of $9m, while the container business lost $26m. It was the beginning of a change of direction in the group's earnings profile.

The trend was confirmed in 1987, when net earnings recovered to $43.6m, of which $28m came from Sealink and only $15m from container activities.

Mr Sherwood is confidently predicting record net profits of more than $110m for the current year, including a $40m profit from the sale and partial leaseback of the group's London headquarters.

His forecast assumes a 100 per cent increase in profits from container activities, to around $80m, which should prove sustainable in the light of greatly improved trading conditions. However, most of the profits will continue to come from Sealink, which is forecast to improve by 50 per cent, to more than $50m.

Sealink lost $24.2m in the first quarter, when all UK ferry operations lose money, so it needs to make about $75m in the remainder of the year if Mr Sherwood's forecasts are to be met.

The figures show the extent to which the Sea Containers group is now dependent on profits from its UK ferry operations, and explain Mr Sherwood's willingness to do a deal with the union to keep the ships running.

Sealink says forward bookings are significantly higher than last year, and points out that it can expect to benefit commercially from the continuing industrial troubles of P&O. A fire aboard one of the company's freight-only ferries earlier this week is unlikely to have long-term effect on customer-demand.

Mr Sherwood expects the trend towards higher bookings to continue as economic recovery and tax cuts combine to increase British disposable income.

He says the largely fixed costs of the ferry business mean increased revenue tends to flow straight through to the bottom line.

In the longer term, Sealink plans to diversify away from the competitive Dover routes, which will be affected by the proposed Channel Tunnel – due to open in 1993 – and to exploit the property potential of its 11 harbours.

There are plans to expand passenger services in the Mediterranean, and establish a US unit to operate a fast catamaran service between Connecticut and Manhattan.

Plans to float Sealink on the London Stock Exchange have been abandoned, partly because improving results mean Sea Containers no longer needs the money, and partly because the potential value of the company was halved by the October crash.

Profits are also being helped by a rise in rental rates of about 5 per cent last year. Demand has softened slightly in the important Far East market, because of a decline in exports to North America, but this is being more than offset by increasing demand in the US and Europe.

Earnings rise 23% to $42m at Litton

By Our Financial Staff

LITTON INDUSTRIES, the California-based electronics and industrial products group, has reported a 23 per cent rise in third-quarter net profits to $42.04m or $1.60 per share, from $34.27m or $1.29 for the same period in 1987.

This brought net earnings for the nine months to April 30 to $123.33m or $4.67 a share, compared with $102.7m or $3.83 a year before.

Sales for the nine months advanced to $3.55bn from $3.19bn previously, after third quarter revenue advanced to $1.2bn, compared with $1.15bn for the comparable period. Operating profits for the third quarter advanced from $91.1m to $108.26m.

Framatome 'backs out' of Telemecanique peace deal

BY GEORGE GRAHAM IN PARIS

AN EXPECTED peace settlement in the long-running battle to take over Télémécanique, France's leading industrial automation company, appears to have come unravelled.

Schneider, the electrical equipment and construction group which launched the bidding battle for Télémécanique, said yesterday that Framatome; the nuclear plant builder which came in as white knight, had backed out of a proposed deal.

The Schneider offer of FFr5400 a share, valuing Télémecanique at FFr8.8bn ($1.5bn), is the highest on the table although it has been bitterly opposed by Télémécanique's management and employees. The rival bidder Framatome was heavily favoured by the French political authorities.

But Mr Didier Pineau-Valenciennes, Schneider chairman, said yesterday that Framatome had backed out of an agreement to buy his 25 per cent stake.

Schneider officials said Framatome had been prevented by Compagnie Générale d'Electricité (CGE) – its main shareholder with 40 per cent – from going ahead with an improved offer that topped its bid.

Schneider's shares plunged yesterday and were temporarily suspended after dropping more than 10 per cent.

Many analysts believe the price of FFr8.8bn, 28 times last year's earnings, is well beyond Mr Pineau-Valenciennes's financial means. Schneider closed at FFr293, down FFr32.

Krauss-Maffei sees rise

BY DAVID GOODHART IN BONN

KRAUSS-MAFFEI, the West German defence and engineering group, expects a sharp rise in profits in the current year despite a decline in defence-related orders.

Mr Burkhard Wollschlager, the management board chairman, also announced that the company was likely to raise its share capital, which has stood at DM16.3m ($9.5m) for more than 20 years. Krauss-Maffei has a nominal DM8.1m of authorised but unissued capital available.

The company, formerly part of the Flick industrial group, recorded a group net profit of DM813,000 in 1987, up from DM111,000. Pre-tax profit rose to DM7.77m from DM2.14m.

Tesoro rebuffs latest bid

BY OUR FINANCIAL STAFF

TESORO PETROLEUM, a US energy group, said its board had rejected a complex takeover proposal from Pentane Partners LP, a US limited partnership, because it was deficient and not in the best interest of shareholders.

Tesoro, with had annual revenues of $1.47bn in the year ended September 1986, has a market capitalisation of $127m based on Wednesday's closing price of $9¼. The move comes more than six months after an initial $15 a share proposal from Pentane.

Under the new proposal, Tesoro's common shareholders, other than Pentane, would exchange their Tesoro shares, totalling 66.9 per cent of the outstanding, for 34.6 per cent of the surviving corporation plus $6 a share.

هكذا من الأصل

NOTICE OF REDEMPTION
TO THE HOLDERS OF

Ente Nazionale Per l'Energia Electtrica (E.N.E.L.)

(the "Company")

U.S. $100,000,000

Floating Rate Debentures due 1987 convertible at the holders' option into the 9½% Fixed Rate Debentures due 1995
Guaranteed by the Republic of Italy

NOTICE IS HEREBY GIVEN, that, as permitted by Condition 5(c) of the Fiscal Agency Agreement dated June 28, 1980 of the Debentures, the following Debentures of the Company indicated below, in the aggregate principal amount of U.S. $6,800,000 have been drawn for redemption on July 1, 1988 (the "Redemption Date") at the Redemption Price (the "Redemption Price") of 100% of the Principal amount thereof.

SERIAL NUMBERS OF THE DEBENTURES CALLED FOR REDEMPTION

2501	2833	3590	3879	4111	4384	4726	4929	5396	5837	6160	6382	6764	7074	7584	7873	8089	8373	8831	9226
2507	2851	3600	3880	4117	4394	4735	4947	5398	5839	6185	6414	6778	7078	7599	7879	8090	8387	8836	9228
2508	2863	3605	3884	4120	4405	4741	4952	5401	5840	6187	6415	6781	7084	7604	7883	8095	8392	8860	9250
2512	2879	3607	3892	4123	4410	4744	4954	5424	5861	6189	6420	6802	7086	7606	7890	8107	8411	8868	9254
2520	2888	3622	3902	4125	4414	4755	4972	5426	5863	6192	6434	6804	7106	7609	7915	8119	8420	8869	9259
2533	2894	3637	3905	4136	4419	4760	4980	5437	5877	6193	6444	6812	7107	7617	7916	8148	8421	8871	9268
2560	2907	3642	3907	4150	4424	4761	4981	5439	5883	6197	6473	6818	7133	7640	7917	8153	8432	8892	9274
2586	2922	3643	3916	4163	4430	4772	4985	5455	5899	6209	6512	6851	7138	7653	7921	8155	8434	8894	9282
2594	2924	3644	3925	4186	4457	4785	5000	5493	5906	6212	6521	6854	7156	7654	7924	8156	8438	8900	9315
2603	2939	3653	3938	4197	4470	4789	5001	5494	5913	6216	6541	6858	7157	7672	7927	8157	8448	8901	9324
2605	2965	3659	3944	4198	4474	4797	5015	5496	5924	6217	6554	6874	7181	7682	7929	8160	8450	8902	9350
2618	2969	3661	3950	4201	4478	4799	5017	5527	5925	6235	6562	6877	7188	7693	7939	8168	8468	8915	9358
2625	2971	3665	3953	4202	4482	4800	5019	5562	5932	6246	6573	6899	7189	7694	7946	8169	8485	8940	9359
2642	2980	3670	3960	4205	4485	4805	5023	5569	5947	6248	6588	6911	7402	7696	7947	8192	8506	8947	9375
2657	2987	3673	3961	4214	4488	4812	5025	5574	5978	6252	6606	6913	7409	7701	7951	8201	8524	8959	9376
2659	2991	3692	3965	4216	4506	4815	5028	5620	5982	6262	6625	6917	7429	7714	7957	8213	8541	8963	9383
2671	3436	3693	3970	4235	4507	4819	5042	5636	5985	6272	6629	6939	7430	7715	7960	8220	8558	8990	9385
2673	3437	3711	3979	4240	4508	4820	5049	5660	5999	6273	6637	6944	7455	7727	7967	8229	8564	9052	9393
2676	3438	3729	3987	4260	4526	4829	5052	5670	6009	6281	6640	6946	7470	7730	7993	8240	8573	9090	9395
2685	3447	3756	3988	4275	4528	4834	5056	5681	6010	6289	6641	6950	7475	7739	8000	8242	8576	9093	9401
2706	3486	3774	3995	4276	4556	4840	5059	5692	6016	6309	6667	6965	7478	7752	8009	8251	8633	9097	9402
2707	3488	3786	4006	4285	4578	4844	5060	5706	6019	6311	6684	6966	7482	7758	8023	8254	8639	9121	9428
2709	3506	3798	4015	4289	4584	4859	5070	5709	6032	6325	6685	6970	7492	7762	8026	8284	8656	9125	9444
2710	3511	3809	4023	4295	4585	4873	5073	5711	6036	6328	6694	6978	7500	7764	8029	8288	8660	9132	9459
2718	3525	3815	4030	4297	4606	4878	5090	5728	6039	6334	6699	6979	7515	7775	8032	8301	8670	9135	9473
2728	3540	3820	4035	4303	4635	4882	5091	5730	6056	6335	6704	7003	7517	7777	8040	8313	8683	9156	9479
2732	3552	3823	4048	4304	4639	4893	5094	5735	6058	6337	6705	7015	7520	7796	8043	8314	8722	9159	9485
2763	3553	3826	4050	4322	4659	4902	5303	5747	6065	6341	6706	7018	7525	7805	8047	8315	8759	9165	9499
2767	3559	3835	4054	4332	4661	4914	5305	5763	6066	6342	6713	7030	7527	7809	8050	8319	8772	9179	9957
2772	3579	3841	4069	4336	4665	4917	5323	5764	6099	6349	6714	7035	7544	7825	8064	8326	8799	9183	9963
2779	3580	3842	4073	4344	4666	4918	5325	5767	6114	6351	6716	7050	7560	7844	8074	8336	8807	9188	9965
2783	3581	3853	4076	4348	4675	4921	5326	5784	6116	6354	6725	7064	7563	7850	8076	8357	8810	9197	9973
2813	3586	3861	4095	4352	4682	4923	5346	5785	6139	6357	6728	7069	7570	7862	8085	8366	8818	9198	9981
2829	3587	3866	4107	4362	4703	4926	5357	5786	6154	6366	6734	7072	7573	7872	8086	8369	8830	9200	9999

Payment of the Redemption Price will be made on or after July 1, 1988 upon presentation and surrender of the Debentures called for redemption, together with all coupons appertaining thereto maturing after July 1, 1988 at the Corporate Trust Office of The Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, N.Y. 10005 or at the principal office in the city indicated of any of the following Paying Agents: The Bank of Tokyo Ltd., in London; The Bank of Tokyo Ltd., in Brussels; The Bank of Tokyo Ltd., in Hong Kong; The Bank of Tokyo Ltd., in Singapore.

From and after the Redemption Date, interest on the Debentures to be redeemed will cease to accrue and all coupons maturing after July 1, 1988 shall become void. The coupon for the interest payable on July 1, 1988 should be detached and presented for payment in the usual manner at the specified office of any Paying Agents. After the Redemption Date, Debentures in the aggregate principal amount of U.S. $55,100,000 will remain outstanding.

Ente Nazionale Per l'Energia Electtrica
By: The Bank of Tokyo Trust Company
as Fiscal Agent

Dated: May 27, 1988

INTERNATIONAL COMPANIES AND FINANCE

Zurich bourse hits at share curbs

BY JOHN WICKS IN ZURICH

THE Zurich Stock Exchange suggested yesterday that it could take action against listed Swiss companies which impose excessive restrictions on their registered shares.

Moves by companies in Switzerland to limit share register entry as a means of fending off unwelcome takeover bids have led to widespread criticism both in Switzerland and abroad.

Mr Dieter Sigrist, the Zurich bourse's legal adviser, said any measures would concern companies "whose articles of association prevent a clear transfer of rights to a buyer or which include arbitrary or restrictive practices."

Mr Sigrist, who is to make proposals to the Stock Exchange management, indicated that the shares in questions might be taken out of main bourse trading and put into a "special sector of the stock market."

The Zurich bourse accepts corporate statutes banning the sale of registered shares to foreigners and laying down a limitation of maximum shareholdings as valid grounds for non-registration of shares.

Although Mr Sigrist said that the Swiss practice of issuing registered shares was "wholly legitimate," he expressed misgivings at company articles which permit companies to refuse registration without giving good reason for their decision.

He felt that the limitation of registration to Swiss citizens was not in "keeping with the demands of an international market." Such restrictions were fundamentally at odds with the views of the European Community and on the requirements for listed equities.

Non-registration tactics have been widely used recently by a variety of Swiss companies. Usego-Trimerco, the retail group, successfully fought off a takeover by the rival Denner group in this way while jams group Hero deflected a bid by from Jacobs-Suchard, the chocolate and coffee company currently bidding for Rowntree of the UK.

Sulzer Brothers kept a dissident shareholder group at bay in this way. Two of the big Swiss chemicals groups, Ciba-Geigy and Sandoz, have recently pushed through plans to limit share registration in the face of shareholder opposition.

LA SUISSE, the Swiss insurance group, has withdrawn plans for a controversial capital increase following strong opposition from shareholders.

The company had proposed to issue 40,000 priority registered shares to Swiss Bank Corporation in a move aimed at protecting the company from potential takeover bids.

The company's plan would have given SBC effective voting control of La Suisse. Dissident shareholders had objected to the proposals, claiming, among other things, a dilution of share values.

Shareholder moves of this kind usually fail in Switzerland. In this case, however, it is understood that since SBC is based in a German-language region, French-speaking Geneva and Lausanne banks sided with the shareholder opposition.

St Gobain to acquire Danish fibre group

By George Graham in Paris

ST GOBAIN, the French glass and packaging group, is continuing its buying spree with a foray into Scandinavia.

The group, which has spent around FFr4.4bn ($769.8m) on five major deals so far this year, is to buy Glasuld, the mineral fibre insulation division of Superfos, the Danish company.

No price was disclosed for Glasuld, which has annual sales of around FFr300m.

St Gobain, which was the first French company to be privatised in November 1986, has recently acquired the minority interest in CertainTeed, its US subsidiary, for around FFr2.2bn as well as Glaceries St Roch, its Belgian offshoot, in a paper deal worth around FFr1.2bn.

It has bought TSL, the UK silicon producer, besides acquiring 36 per cent of Oberland Glas and bidding for Wolverine Technologies in the US.

It has also cut its construction interests by exchanging 65 per cent of SGE, its lossmaking division, for 25 per cent of a new joint venture.

The disposal by Superfos is the latest in a series of divestments by the Danish group in an effort to restore its finances after the disastrous acquisition of Royster, the US fertiliser group, in 1984.

Last year it also sold 60 per cent of its Danish fertiliser business to Finland's Kemira.

Extraordinary income of DKr69m ($10.2m), arising in part from these sales, contributed strongly to turning a DKr318m loss in 1986 into profits of DKr102m last year.

Veba boosts earnings in first quarter

By David Marsh in Dusseldorf

VEBA, the West German energy and chemicals conglomerate, boosted group net profit to DM185m ($108m) in the first three months of this year from DM167m in the same period last year, according to provisional figures.

Mr Rudolf von Bennigsen-Foerder, chairman, said the company expects profits for the year will at least match last year's level, when group net profits (after subtracting minority interests) rose to DM943m from DM919m.

Turnover rose 9.9 per cent in the first quarter to DM10.5bn from DM9.6bn in the same period of 1987. This was almost entirely due to incorporation into the group of the chemicals and plastics activities of Feldmuehle Nobel, the manufacturing group formerly part of the Flick industrial empire, under a deal agreed in May last year.

The acquisition helped boost Veba's chemical turnover 68 per cent to DM2.0bn in the first three months. Mr von Bennigsen said that after making allowance for the acquisition, Veba's chemicals subsidiary Huels still showed a healthy 16 per cent turnover increase in the first quarter, profiting like the other large West German chemical groups from strong general demand at the beginning of the year.

Other production sectors showed less buoyancy. Electricity sales fell 3.3 per cent to DM2.8bn in the first quarter, while mineral oil turnover dropped 5.4 per cent to DM1.9bn. Trading activities, however, turned in a 10 per cent turnover rise to DM2.9bn.

DG Bank ahead despite crash

BY HAIG SIMONIAN IN FRANKFURT

PARTIAL GROUP operating profits at Deutsche Genossenschaftsbank (DG Bank), the central institution for West Germany's co-operative banks, rose by more than 5 per cent to DM573m ($337m) last year from DM544m.

Full operating profits, which are not disclosed but include gains from trading on the bank's own account, increased by 14 per cent due to higher own-account earnings.

Both results are highly creditable and come against a background of generally lower profits among German banks in 1987 after the stock market crash.

Group earnings in the first four months of 1988 rose by 3 per cent against the same time last year, said Mr Helmut Guthardt, chief executive. However, the bank is doubtful the momentum can be maintained.

DG Bank remains on course to buy a 75 per cent stake in Volkfuersorge, one of Germany's biggest insurance groups, from the country's trade union movement, despite the continuing delay in concluding negotiations, said Mr Guthardt. "Another three more months are not important," he said.

One major hold-up to the bid, estimated to be worth some DM2.25bn, is the need to reconcile Volksfuersorge's relatively high wages and fringe benefits with those of R&V, the bank's existing general insurance operation.

The bank's total assets, presented for the first time in consolidated form, rose by over 13 per cent to DM135bn at group level last year. Interest income increased by over 11 per cent to DM1.16bn, despite a fall in margins, while fee income rose by about one third to DM154m.

● Partial operating profits at Hessische Landesbank (Helaba), West Germany's fourth biggest Landesbank, fell by almost 20 per cent to DM197m last year.

However, full operating profits, which include gains from trading on the bank's own account, declined by 11.6 per cent to DM243m due to higher own-account trading gains.

The decrease was almost entirely due to a DM43m drop in the bank's interest income to DM513m. Fee income remained unchanged at DM70m, while Helaba's total group assets increased to DM74.4bn last year.

Bond to sell property portfolio in Hong Kong

BY DAVID DODWELL IN HONG KONG

MR ALAN BOND, the Australian entrepreneur, is to sell for HK$1.37bn ($175.6m) a portfolio of six big residential property developments in Hong Kong – one of his three investments in the territory – in a surprise move that appears to endorse persistent reports that he is disenchanted with Hong Kong as a home for overseas investment.

News of the disposal coincides with claims that he is negotiating the sale of his second major investment in the territory – a 27 per cent holding in HK-TVB, Hong Kong's leading television company, acquired for just under HK$1.6bn early last year. Mr Bond's executives deny these claims.

Bond Corporation International, which was listed in Hong Kong in January last year, is to sell the property portfolio to a company controlled by Mr Robert Kuok, whose family controls the Shangri-la hotels group. The deal will earn Mr Bond a profit of HK$390m over the book value of the properties when they were acquired from Hongkong Land in December 1986.

Last June, Mr Bond told shareholders attending the group's annual meeting that he had no intention of selling these "core properties," which he described as the "best residential portfolio in Hong Kong."

During his 18-month corporate presence in Hong Kong, Mr Bond has had several clashes with the territory's regulatory authorities. He is also understood to have been disappointed by a government decision to block foreign ownership of local television stations, a move that stymied his plans to take a bigger stake in HK-TVB.

Troubled KHD confirms loss

By David Goodhart in Bonn

KLOECKNER-Humboldt-Deutz, the troubled West German diesel engine and agricultural machinery group, has confirmed a loss of DM285m ($167.6m) for 1987 and a drop in sales from DM4.83bn to DM4.51bn. It hopes to reduce losses below DM100m in the current year.

It said some progress had been made in the restructuring programme and 4,900 of the 6,300 job cuts in Germany had been made. About 1,400 jobs would be shed at foreign subsidiaries.

INTERNATIONAL COMPANIES AND FINANCE

Generally strong results continue to emerge from Japan. **Ian Rodger and Stefan Wagstyl in Tokyo report**

Itoh tops trading house sales league

C. ITOH topped the list of Japan's giant trading companies for the second year running in terms of sales, thanks to an aggressive push into new markets, especially for imports.

Mitsui, the company which controls the luxury Mitsukoshi department store group, followed close behind, according to results published yesterday for the year to March. But Mitsubishi, the traditional leader, languished in fifth place, due to its reliance on oil and gas, where prices were weak.

The six companies concentrated on increasing imports to take advantage of surging consumer spending in Japan and cut reliance on exports, which are being hit by the high yen. At Itoh, for example, imports were up 14.5 per cent, while exports fell 15.5 per cent. For Mitsui, imports rose 4.4 per cent and exports dropped 1.9 per cent.

Trading between foreign countries also jumped sharply – by 41.5 per cent for Mitsui, which concentrated on oil and gas and non-ferrous metals.

The companies benefited from stronger commodity prices, which increased margins in the bread-and-butter business of importing energy and raw materials into Japan. Sumitomo profited from increased sales of steel and non-ferrous metals. At Mitsubishi, operating profits jumped 47.7 per cent to Y49bn ($393.8m), due in part to higher domestic sales of fuel and chemicals.

However, Mitsubishi's overall profit fell because of sharply lower sales of securities holdings – highlighting the importance of financial investment management, or *Zaitech*, to the trading companies. Officials said total profit would otherwise have risen strongly.

Bumper one-off sales of financial assets were the main reason behind the sharp pre-tax gains at Mitsui, which made Y36.6bn from bond sales. This was partly offset by a Y24.9bn increase in reserves for losses on its petrochemical complex in Iran, which has never been completed because of the Iran-Iraq war. The company said it had now provided for Y82.4bn of the Y83.6bn lost on the project.

For the current year, Mitsui is forecasting a sharp fall in pre-tax profits to Y45bn because bond sales will not be repeated. But generally the trading companies expect modest gains in profits and sales – reflecting concern that the surge in commodity prices over the past year may peter out.

JAPANESE TRADING HOUSES

	Sales		Pre-tax profit		Net profit	
	Ybn	%	Ybn	%	Ybn	%
C. Itoh	14,921	+4.7	42.4	+21.1	10.8	+19.5
Mitsui	14,131	+11.9	75.6	+20.2	12.8	+33.6
Sumitomo	13,693	+5.9	49.1	+6.6	25.3	+11.2
Marubeni	13,209	+2.7	38.0	+23.0	9.8	+62.1
Mitsubishi	12,261	+3.6	69.8	-12.2	26.1	+21.5
Nissho Iwai	10,139	+38.5	30.6	+2.3	5.1	+26.2

Parent company results, year to March 1988

Electronics groups show soaring profits

HITACHI, Toshiba and Mitsubishi Electric, three of Japan's biggest electronics companies, yesterday reported 55 per cent-plus increases in annual pre-tax profits due to a worldwide recovery in semiconductors and strong domestic demand for consumer and industrial electronics goods.

At each group, the divisions producing semiconductors and related devices, posted the largest sales increases, which fed through into hefty profit gains because of the high margins on these products. Toshiba, in particular, gained from its world lead in developing one megabyte DRAM memory devices, the latest memory microchips.

However, all three suffered declines in sales in consumer goods, including televisions, because of the high yen and of competition from other Asian countries in export markets.

Hitachi, which like the others was reporting parent company results for the year to March, showed slightly weaker sales of Y2,919bn ($23.5bn) against Y2,925bn. Pre-tax profits were Y138.7bn against Y89.1bn and net profits Y65.1bn, up from Y53.3bn, giving earnings a share of Y22.29 (Y18.92). Toshiba's pre-tax profits were Y65bn (Y41.2bn) and net profit Y37bn (Y23.7bn), on sales of Y2,682bn, up 7 per cent. Earnings were Y12.6 per share (Y8.67).

Toshiba said it had been a very difficult year, not least because of the row concerning illegal sales of equipment to the Soviet Union. The group said it was impossible to quantify the impact of the case on its image. Sales at US military bases had dropped from Y5bn a year to almost nothing.

At Mitsubishi Electric, pre-tax profits were 58.2 per cent up at Y41.8bn, on sales 8.4 per cent higher at Y1,554bn. Net profit was Y19.5bn or Y9.5 a share.

For the current year, the three companies are forecasting continuing strong growth – especially Mitsubishi which sees pre-tax profits climbing by 43 per cent. The company expects to get the benefits of heavy cost-cutting programmes. Hitachi predicts a 16 per cent profit increase and Toshiba 23 per cent.

As well as gains in semiconductors and computers, the companies reported solid demand for heavy electrical machinery and power supply equipment – an indication of the surge in capital investment in Japan.

KDD, Japan's international telecommunications company, lifted pre-tax profits 29.3 per cent to Y35.4bn ($284.5m) in its year to March, but warns that the current year's outcome cannot be forecast because of pending rate cuts.

Revenues rose 10.9 per cent to Y248.5bn but a rate reduction of at least 10 per cent is expected by the autumn.

Honda Motor 34.8% ahead at mid-term

HONDA MOTOR, the Japanese motor company, has posted a 34.8 per cent increase in interim pre-tax profits to Y91.12bn ($732.3m), due to strong domestic sales and a surge in profits from financial investments, or *Zaitech*.

While overall turnover for the six months to March grew 11.3 per cent to Y1,585bn, domestic sales jumped 31 per cent to Y552bn. Home sales of motorcycles rose 48 per cent, due to a sudden recovery in a market depressed for much of the 1980s.

But consolidated operating income was down 10.5 per cent at Y68.6bn, due to the depreciating US dollar which hit overseas earnings on translation into yen.

However, the company's treasurers came to the rescue, helping to raise "other income", including investment income, sevenfold to Y36.3bn.

As a result net income was up 51.7 per cent at Y56.6bn, giving earnings per share of Y56 (Y38.36). The comparative figures are for the period to February 1987, because the company is changing its year-end.

Honda said the launch of new models boosted sales of autmobiles and motorcycles. Its best-selling new motorcycle was Tact – a model with a built-in crash helmet carrier.

Honda made no forecast for the overall group, but said unconsolidated results (covering mainly Japanese operations) would show a decline in profit from Y47.4bn to Y43bn for the six months to September on sales slightly higher at Y1,310bn.

For the year to next March, unconsolidated profits would be pre-tax Y90bn on sales of Y2,640bn, an advance on the year to February 1987, the last full year for which figures are available.

The group's results would suffer from a further decline in the dollar – partly because exports from Japan would be hit and partly because profits earned in North America would be reduced on translation into yen.

Dairy companies benefit from hot, dry summer

JAPAN'S leading dairy companies have enjoyed handsome profit increases thanks to the stimulus to sales of milk and ice cream caused by the hot, dry summer last year.

Pre-tax profits of Snow Brand Milk, the largest dairy group, jumped 20 per cent in the year to March to Y15.5bn ($124.6m) on a 3 per cent sales rise to Y460.6bn. Net profits were up 20 per cent to Y4.1bn. The company is forecasting a 6 per cent rise in pre-tax profits this year to Y16.5bn.

Meiji Milk, the second largest, had a record pre-tax profit of Y6.7bn, up 15.3 per cent. Sales rose for the first time in three years, ending up 2.4 per cent higher at Y360.9bn. This year, it expects another increase in sales to Y2.2bn but only a marginal rise in pre-tax profit to Y6.8bn.

At Morinaga Milk pre-tax profit was up 15.2 per cent to Y6.3bn on a 6.2 per cent rise in sales to Y315.2bn. The company has decided to raise its annual dividend by Y1 to Y6.

For the current year, it is forecasting sales growth of 1.5 per cent to Y320bn and a pre-tax profit of Y6.5bn.

Fanuc forecasts stronger rally in current year

FANUC, the Japanese industrial automation group, has reported a 2.7 per cent rise in pre-tax profit to Y34.5bn ($277.3m) in the year to March.

The company is forecasting a much stronger recovery in the current year, in which profits are expected to rise 30 per cent to Y45bn.

Sales of plastic injection moulding machines, a relatively new line for the company, showed an increase of 17.5 per cent last year, but sales of numerical control systems, the core of the business, were flat and sales of industrial robots were down 6 per cent.

Total sales were down 1.5 per cent to Y116.7bn. Net profit declined 13 per cent to Y16.7bn or Y74.03 per share.

Slow camera sales depress Minolta result

PRE-TAX profits of Minolta Camera, a leading Japanese maker of cameras and copying machines, fell 38.7 per cent to Y5.1bn ($41m) in the year to March, on sales down 6.8 per cent to Y196.9bn.

Sales of office equipment were strong, but camera sales were slow due to the high value of the yen and weak demand for single reflex lens models. Net profit was down 37 per cent to Y2.8bn or Y12.38 per share.

The company is introducing new models of auto-focus cameras this year and hopes that they will make an impact on sales and profits in the second half. It forecasts that pre-tax profits will rise to Y6bn for the year.

Furukawa gains ground on Sumitomo Electric

FURUKAWA ELECTRIC, Japan's second largest wires and cables company, gained ground in sales in the year to March on the market leader Sumitomo Electric.

Furukawa increased sales 10.8 per cent to Y470bn ($3.78bn), while turnover at Sumitomo grew by just 3 per cent to Y550bn. Furukawa's pre-tax profits soared 55.2 per cent to Y13.9bn, compared with a gain of 7 per cent to Y23.7bn at Sumitomo.

Sumitomo's small sales increase was achieved despite a 41 per cent decline in exports, which were hit by the appreciation of the yen.

Both companies were affected by troubles at subsidiaries. Furukawa, which is known for its aggressive expansion into new fields, including optical fibres and light metals, suffered from "excessive liabilities" at Furukawa Aluminium. The parent company was forced to take a Y10bn loss on the value of its equity shareholding, resulting in a 65.8 per cent fall in net income to Y4.5bn.

Sumitomo wrote off $19m invested in a subsidiary involved in a dispute in the US over a patent for optical fibre manufacturing. The group's net profits were 4 per cent up at Y12.5bn.

For the current year the companies, which compete for business from Nippon Telegraph & Telephone, are forecasting modest profit and sales increases.

Nissin Food ahead at pre-tax level

NISSIN FOOD Products, which has led a Japanese boom in instant noodles and similar snacks, edged up taxable profits by 2.9 per cent to Y19.24bn ($154.6m) in its March year as marketing and development costs took their toll on sales which rose just 0.6 per cent to Y150.6bn.

Little further progress is expected this year – with earnings of Y19.5bn – as rivals fight for market share amid changing consumer tastes.

AMC marketing treasury know-how

Stephen Fidler on a British tin trader's plans to profit from foreign exchange dealing expertise

THE CRASH of the tin market in 1985 put Amalgamated Metal Corporation on its mettle. The company, British trading subsidiary of the West German metals giant Preussag, had bought tin and sold it forward to the International Tin Council, which failed to meet its obligations.

As the price of tin halved, the company's net worth shrank by two-thirds. "Without the support of our banks and our parent company, we would have been insolvent," says Mr David Fell, the group's deputy treasurer.

"We had the bottom knocked out of our business," he says. The company cut nearly all its trading in physical metals, and its trading in the forward market suffered in a downturn of business on the London Metal Exchange.

The company had shrunk dramatically. But, following a capital injection from Preussag, it was decided to change direction by enlarging its industrial division, by partly rebuilding its metals trading business and by increasing the profile of its treasury operation.

Its strategy for its treasury aimed to build on an area of the company that it had regarded since 1982 as a potential profit centre. Under Mr Keith Gaunt, formerly with National Westminster Bank and Italian International Bank and now AMC's director of corporate finance, the traditional view of the treasury as a burden to the company had already been transformed.

It has since taken the process a logical step further in deciding after the tin crisis to market to others the methods it uses to manage its own cash flows and foreign exchange exposure.

In building up the capacity of its treasury, Amalgamated has followed a pattern adopted by a growing number of non-financial companies in many countries.

Many Japanese industrial corporations have taken this to an extreme in the practice of *Zaitech* – financial technology. The risky business of playing in the financial markets is more important to the earnings of some companies in Japan now than their basic industrial business.

British companies have not moved far down that road, although big multinationals such as British Petroleum have sophisticated treasury operations of long standing and high repute. So large are some of these companies' operations that banks in the foreign exchange market, for example, often are unsure whether to treat them as *competitors or customers*.

The practice has trickled down only slowly to smaller UK companies, although many must now manage a growing exposure to the foreign exchange market which can play havoc with their earnings.

"A lot of corporates are still not very sophisticated in the way that they run their treasury," says Mr Fell. He distinguishes between the traditional treasury *run by most British companies*, where accountants or traditional commercial bankers see their role as arranging borrowings and effecting financial transactions, and what he calls operational treasury. Here a company will use *its natural cash flows and* foreign exchange exposure as a resource on which to build a profitable operation.

Managing *its own finances* has been important to AMC. Between 12 and 20 per cent of the group's pre-tax profit is attributed to the treasury operation, not counting savings on translation losses. As a trading company, its turnover is high: £1.08bn last year compared with pre-tax profits of £4.6m. In house, foreign exchange trading volume runs at about £2bn a year. "Treasury makes a lot of sense for a trading company because we have the necessary trading skills," says Mr Fell.

The products being marketed by AMC Treasury Services *include a programme which analyses* forward foreign exchange risk and allows for a better understanding of managing it. It also offers to banks and companies transaction services in the spot and forward foreign exchange market. It will, for example, take even relatively small orders for execution at the close of the London market, at wholesale rates.

Thus it becomes another non-banking firm which is setting itself up in competition with banks, offering expertise and services in a market it believes the banks could serve better.

Treasurers of smaller companies can and do make potentially costly mistakes. They will often not have the time to get competitive price quotes from a number of banks, and they will declare themselves as buyers or sellers in advance of the trade, a practice which never occurs between currency market professionals.

The importance of AMC's story lies mostly in what it signifies about a more general trend in the financial markets. A growing sophistication in treasury management is leading some companies to develop expertise and move into businesses which used to be the prerogative of banks and the financial services industry.

It is a trend which has important implications, and not only because of the overcapacity which already exists in some sectors of the financial services industry.

It would be premature to speak of British *Zaitech* but there are important implications for UK industrial or trading companies. Actively managing foreign exchange exposure, for example, opens up a company to new risks and opportunity costs.

The development of para-banking activities among non-financial companies also has potential regulatory and prudential implications for central banks. The tightening of regulatory control and tougher capital requirements for banks and securities firms in the industrialised countries is likely only to reinforce the trend.

Bourse lifts Baudoin ban

BY GEORGE GRAHAM IN PARIS

THE FRENCH stock exchange has lifted its ban on Louis Baudoin, the stockbroker which was suspended from dealing in March *after the eruption of a financial* scandal.

Baudoin, which had to go into bankruptcy, has now been taken over by Finacor, France's leading money-broking group, in partnership with Batif Banque (controlled by the Thomson electronics group) and Groupe Artois Picardie, part of the Credit Mutuel co-operative banking network. The partnership paid FFr55m ($9.64m), and will keep *two thirds of Baudoin's staff*.

The stockbroker will be allowed to reopen for business on June 1, under the name of Finacor Bourse.

Mr Pierre Lasserre, managing director of Finacor, said Baudoin had a strong position in the bond *market, where it ranked third*, and in stock options, where it ranked first. The main interest of the stockbroker for his group, however, was the opportunity it would offer for trading in stock index futures and options and arbitraging with the underlying cash market.

He warned, however, that both trading volumes and commissions were falling on many markets. His group therefore needed *to find new markets* – such as stock index futures or the over-the-counter Pibor market – to maintain earnings.

Japan plans new bond tax

BY OUR FINANCIAL STAFF

THE JAPANESE Ministry of Finance (MoF) has decided to tax capital gains from convertible bonds and bonds with warrants *under planned tax reforms*.

The ruling Liberal Democratic Party's (LDP) tax panel, which has a major say over the Government's tax policy, is expected to endorse the decision, a senior ministry official said.

The ministry and the LDP tax panel have already agreed to levy of taxes on capital gains from stocks, he said.

But public and private bonds and investment trusts incorporating stocks will be free from such taxes.

The official said the ministry had not yet decided on the exact rates for capital gains tax, but the rate for stocks will probably be around 1 to 2 per cent of the amount of sales.

He also said the ministry was likely to reduce the rate for transactions tax by more than 0.15 of a percentage point, from the current 0.55 per cent to less than 0.4 per cent.

The Government and the LDP had earlier agreed to cut the rate of transactions tax, levied on all sales or purchases of stock, in exchange for the introduction of new capital gains taxes.

The LDP tax panel is expected to finalise the sweeping tax reform plan by the middle of next month.

Courage Pub to raise £875m

By Stephen Fidler, Euromarkets Correspondent

AN £875m syndicated loan was launched yesterday among international banks to finance the previously-announced acquisition from the Elders IXL group of nearly 5,000 public houses by a newly-formed joint venture.

The finance is being raised by the Courage Pub Company, jointly owned by Elders and Hudson Conway, the Australian property company, and is secured on the new company's assets. Elders will provide the lending banks with a further undertaking to make up the difference, if any, between the pub company's revenues and its interest obligations.

The loan is structured in two parts. The first part is of £660m of senior debt with a final maturity of five years, of which £200m will be repaid at the end of the third year. It carries an interest margin over London interbank offered rates for sterling of 0.5 percentage points.

The second part is a £215m of junior debt with a maturity of seven years, when the full amount will be repaid. This carries a margin of 0.75 percentage points. The borrower will pay the banks' reserve assets costs on both tranches.

As further protection, the banks require compliance with certain financial ratios: there is a required ratio of total secured debt to assets of 66.7 per cent and of senior secured debt to assets of 50 per cent.

It is expected that part of the loan will be replaced in time with long-term financing, probably in the form of domestic debenture issues.

Euronote issue tied to gold price average

By Our Euromarkets Correspondent

BANKERS TRUST International and Lazard Frères are offering $100m in four-year Euronotes, the performance of which is tied to the average gold price over the period.

The notes are being marketed to institutional investors as an inflation hedge which will be less volatile than either gold bullion or gold shares.

Each note represents five ounces of gold, and is being sold at $2,190 each, equivalent to $438 an ounce. The minimum price at which the notes *will be redeemed in four years'* time is $2,275, or $455 an ounce. Yesterday afternoon's London gold fix was $453.25.

However, the redemption price will be increased above $455 an ounce for every cent that the average price of gold over the four years – as measured on the 14th of each month – exceeds $438 an ounce. The borrower is BT Gold Notes, a special purpose company guaranteed by Bankers Trust.

Bankers Trust said it intended to make a market in *the notes to ensure their* liquidity.

SecPac moves bring job cuts

By Dominique Jackson

SECURITY PACIFIC Hoare Govett said yesterday that closer amalgamation of the separate market-making divisions of Security Pacific and Hoare Govett had resulted in the loss of 22 jobs earlier this week.

There were 15 redundancies in the gilt-edged and financial futures department and seven in the Eurobond department. A Security Pacific Hoare Govett official said a larger number of employees had been transferred to other posts within *the company. The company* was not withdrawing from any markets, he added.

The redundancies were part of a campaign to reduce overheads in a response to current subdued market conditions. Further job losses at a later stage could not be ruled out, he said.

Zurich to split off bond trade

THE ZURICH Stock Exchange *hopes to split off bond trading* by next year to devote more capacity to stock dealing, Reuter reports from Zurich.

"*We hope to find the* ways and means by next year to transfer interest-bearing securities from the ring to a *voucher or trading system*, so that ring capacity will be freed for more continuous trading in a greater number of shares," said Mr Richard Meier, a director.

Other changes being considered, but not yet agreed, include shifting pre-bourse trading in over-the-counter shares to the afternoon, adding more continuously traded stocks and forming new trading categories.

Swap windows attract four Ecu borrowers

BY DOMINIQUE JACKSON

THE PRIMARY Eurobond market paused for breath yesterday following Wednesday's onslaught of new deals when more than 20 new bonds in several currencies, including over $1.5bn of dollar-denominated paper, were launched.

However, an anticipated 10-year Eurodollar bond for Austria emerged and swap windows prompted four new Ecu deals.

Secondary markets were subdued by a downturn in US Treasury bonds. Eurodollar bond prices eased marginally in line with Treasuries after closer examination of new US first quarter gross national product data reawakened inflationary fears.

Although the price deflator was revised to 1.7 per cent from 2.4, an upward revision in first quarter GNP growth – to 3.9 per cent from 2.3 – once more *prompted fears that* the Federal Reserve could move to raise key interest rates today.

Worries that global rates are set to rise appear to have been behind the rush by borrowers to tap the market this week. Syndicate managers had few other strong explanations for the scramble *to lock into relatively* cheap sources of funds.

However, many noted that several borrowers have been waiting to come to the market for some time and were apparently encouraged by the more stable tone seen on the foreign exchanges recently. Nevertheless, underlying sentiment remains bearish in most sectors and dealers were sceptical as to whether all the new paper would be satisfactorily placed with end-investors.

Yesterday's sole straight Eurodollar bond issue was the $100m 10-year 10 per cent deal at 102 for *the Republic of Austria*. Mitsubishi Finance International was the joint lead manager and book runner on the deal. Morgan Stanley was the other lead manager.

Although the issue saw good demand, remaining comfortably within its total 2 per cent fees all day, it failed to receive the thunderous welcome dealers have long been predicting for a longer-dated straight dollar bond from a sovereign borrower. The deal, pitched to *yield 59 basis* points over comparable Treasuries, was considered generously priced. However, its reception was not smoothed by the easier tone of secondary markets following the release of the US data and dealers said a larger issue size would have been even more popular. Much of the paper is thought to have gone directly to Japanese investors.

In equity-linked deals, Daiwa Europe brought lamp manufacturer Ushio to the market with a $150m five-year deal on which the coupon is indicated at 4¼ per cent. Yamaichi International led a $250m issue by chemical giant Showa Denko. The coupon on the five-year bond *is also indicated* at 4¼ per cent.

INTERNATIONAL BONDS

Attractive swap windows opened in the Ecu sector, prompting four borrowers to launch new deals. The first to emerge was a three-year ECU100m deal at 7¼ per cent and 101¼ for American Express Credit led by Bankers Trust. Although the shorter maturity on the deal apperently appealed to several investors, the issue began to look less attractive as more borrowers rushed to tap the sector.

Another Ecu100m deal for Aus*tralia and New Zealand* Banking Group came via Swiss Bank Corporation Investment banking. The five-year deal at 101⅞ was expected to see reasonable demand largely due to its attractive 8 per cent coupon. However, dealers also noted that the lead manager has good placing power in Switzerland where almost all the recent demand for Ecu paper has been seen. The deal finished the day locked on its fees of 1⅞.

The market was more enthusiastic about the other two Ecu deals. Crédit Lyonnais led a bumper Ecu150m five-year bond at 7⅝ per cent and 101¼ for France's Caisse Nationale desTelecommunications. Although the deal slowed somewhat shortly *after launch, the popularity of its* name was expected to ensure healthy demand. It finished the day well bid still within its 1⅞ fees.

Crédit Suisse First Boston led the day's other popular deal, an Ecu75m 7¾ per cent four-year issue at 101⅞ for Crédit Suisse Finance (Guernsey), guaranteed by Crédit Suisse. The bond was bid at a discount of 1⅛, well within its 1⅞ fees.

Wood Gundy brought the regional municipality of Metropolitan Toronto to the Canadian dollar market with a C$50m seven-year deal at 10⅛ per cent and 101¾. The deal is expected to be boosted by continuing Far Eastern demand for the currency. It closed bid at a discount equal to its 1⅞ fees.

In West Germany, details of the new 10-year DM4bn federal government bond were released, largely in line with market expectations, with a 6¼ *per cent* coupon at 99⅜ to yield 6.57 per cent at issue price. However, this was not considered attractive enough to prompt switching out of domestic bank bonds of similar maturity and the issue suffered further from lack of foreign interest in D-Mark paper.

The details of the new issue subdued prices in both the domestic bond market and the euromark bond sector with further falls seen later in low volumes in line with New York.

The sole new issue was a seven-year DM300m 5⅝ per cent deal at par *for Dutch electronics* group Philips. Dresdner Bank led the issue which was deemed relatively tightly priced.

In Switzerland, Swiss Bank Corporation brought the European Investment Bank to the market with a SFr150m 10-year deal at 4⅝ and par. Handelsbank Natwest led a convertible SFr60m five-year deal *for Japanese Kaga* Electronics on which the coupon is indicated at ⅛ per cent.

Wirtschafts- und Privatbank brought Oesterreichische Kontrollbank to the market with a two-tranche issue totalling SFr150m. *The first is a seven-year* SFr75m tranche at 4½ per cent and 101¼. The second is a 15-year SFr75m tranche at 5 per cent and *par*.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅛	−0½	−0¼	9.29
All Nippon Air 9⅛ 97	100	†94⅛	94⅛	−0¼	−0¼	10.32
American Brands 8⅞ 92	150	97⅞	98⅛	0	0	9.46
A/S Eksportfinans 7⅛ 93	100	†93	93⅛	−0¼	−0¼	9.21
A/S Eksportfinans 7⅛ 92	150	94⅞	95	−0¼	0	9.02
Barc. Bk. Fin. 10¼ 89	200	†101⅞	102⅞	−0¼	−0¼	8.66
Belgium 9⅛ 92	400	†99½	100	−0¼	−0¼	9.17
British Telecom 7⅞ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	9.73
[illegible]						

Average price change... On day 0 on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	35	102¼	102⅞	0	0	4.78
Belgium 4⅝ 94	45	97⅞	97⅞	0	−0⅛	5.17
Canada 4⅜ 92	80	98⅞	99	0	0	4.66
Elec. De France 5⅛ 94	20	100⅛	100⅝	+0⅛	+0⅛	5.05
Ireland 5⅛ 93	30	100⅛	100⅝	+0⅛	+0⅛	5.04
Norway 5⅛ 95	50	99½	99⅞	0	+0⅛	5.19
Rep. of Italy 5⅛ 92	150	103⅛	104	−0⅛	+0⅛	4.59
Sweden 4⅝ 93	50	99⅞	99⅞	+0⅛	+0⅛	4.86
[illegible]						

Average price change... On day +0 on week +0¼

[illegible]

UK COMPANY NEWS

Plessey down at £172m despite final quarter lift

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

Plessey, the UK electronics group, registered a jump in final quarter profits which has enabled the group to reverse much of the early year decline in its performance.

Pre-tax profits jumped by 29 per cent in the three months to April 1, reaching £66.8m against £51.7m, while turnover rose by 2.9 per cent from £404.8m to £416.7m.

As a result, full year pre-tax profits were down by 6.6 per cent at £172.1m against £184.2m, despite a fall in turnover from £1.43bn to £1.3bn. This represented a significant recovery from the group's position in the first nine months of the year, when it registered a pre-tax decline of 20.5 per cent to £105.3m on sales down 13.7 per cent to £884.2m.

Sir John Clark, Plessey's chairman and chief executive, described the results as "creditable", particularly taking account of the negative effects of currency adjustments. "We have good reasons for renewed confidence with a record order book," he said.

At an attributable level, profits rose by 13 per cent from £116.3m to £131.1m, giving earnings per share of 17.7p (15.74p). These results were helped, however, by a reduced tax charge, down to £52m (£62.7m), and an extraordinary credit of £12.4m relating to the formation of the new GPT joint venture telecommunications group with GEC. Last year the group took an extraordinary charge of £3.5m for its defence costs in the takeover bid by GEC.

Mr Stephen Walls, finance director, said the credit figure was struck after deducting the costs of reorganisation expenditure associated with GPT from the £46m the group had received from GEC to equalise the assets in the joint venture. Plessey had also charged net losses on the disposals of other businesses last year.

An increase of 25 per cent in the final dividend to 4.276p per share is being recommended, bringing the full year dividend to 6.659p, an overall rise of 15 per cent. The City reacted to the results, which were in line with forecasts, by marking the shares down 1.5p to 158.5p on the day.

Sir John refused to be drawn into profits forecasts for the current period, but said the order book had risen by 27.5 per cent last year, with all the company's business segments contributing to the increase. He conceded that the group's hopes of large offset orders from the Boeing AWAC early warning aircraft contract placed by the UK Government had still to materialise. Plessey had received orders so far of just over £4m, compared to a promised British total for the project of £1bn.

The year had been one of intense activity, he added, involving the formation of the new telecommunications joint venture, two "significant" acquisitions in the North American defence sector, the purchase of Ferranti's semiconductor division, and a number of smaller joint ventures. The group was continuing with its efforts to develop its overseas activities in the US and Europe.

Two further deals were announced yesterday. In Europe, the company is investing £16m in Elettronica, the Italian defence electronics group, raising its stake from 35 per cent to 49 per cent. In a further rationalising step in the UK, Plessey is also selling its Microsystems business, which has sales of about £20m, to members of its existing management team.

Despite the acquisitions, the company ended the year with cash of £220.5m.

See Lex

RHP advances 22% to £11.7m

BY FIONA THOMPSON

RHP Group, the former ball-bearings company which acquired the Burgess Group, electrical engineers, in February, yesterday announced interim pre-tax profits up 22 per cent to £11.69m and a change of name to Pilgrim House Group.

The advance for the six months to April 1 1988 from £9.54m previously, was made on reduced turnover of £78.07m, compared with £87.42m. The results include 11 weeks' profits from RHP's bearings business before it was sold last December for £73.5m, and a six-week contribution from Burgess, acquired for £90m.

Earnings per share rose from 7.8p to 8.6p.

Mr David Ewart, chairman, said trading conditions for the continuing businesses and the acquisitions had been good and were encouraging for the future. The cash position was strong - £60m, and the company was negotiating two major US acquisitions for $100m each in the field of fire detection, though the deals were a long way from fruition.

Mr Ewart said the adverse trading conditions reported at the time of the acquisition at two of the Burgess subsidiaries - Coin and ABC - had improved and both companies were now trading satisfactorily. The financial irregularities at the Burgess West German subsidiary "were no worse than had been disclosed" (at the time RHP said the irregularities would reduce Burgess's profits by £750,000) and RHP was confident that it could mitigate any losses.

RHP has acquired three other businesses this spring, two US and one West German, all involved in the fire protection industry.

Mr Ewart said the group was poised to increase in size by further acquisitions. "We are enjoying a higher level of order input and order books than we have seen for several years." The tax charge was £4.12m, against £3.50m last time. An interim dividend of 2.4p (2.2p) was declared.

● comment

After all the brouhaha surrounding the Burgess "began as a merger ended as an acquisition" affair, analysts were pleased to see that the Burgess profits contribution, albeit just six weeks worth, was quite a bit higher than expected - £1.65m on sales of £11.64m. This contribution also acted to allay worries of any more hornets in the Burgess nest. Certainly RHP's credibility has not been dented by the affair and the interest now centres around what RHP will do with its £60m cash pile. The betting is on acquisitions to complement existing activities, plus small bolt-on purchases. Expectations of £31m for the full year produce a prospective p/e of about 9, cheap.

Imminent disposals should net Suter £40m

By Nikki Tait

MR DAVID ABELL, chairman of Suter, the acquisitive industrial conglomerate, told shareholders yesterday that the company expected to raise more than £40m from the sale of a number of businesses during the next few weeks. The sale consideration figure includes borrowings eliminated as a result of the disposals.

Speaking at the company's annual meeting, Mr Abell added that the board had just received a revaluation report on the company's 16 most substantial properties. This, he said, showed a £15m surplus over current book values.

As a result, he suggested, Suter hoped to reduce borrowings to less than £40m by end-June, compared with net assets of more than £90m.

The major disposal under negotiation is believed to be Mitchell Cotts Transport Services, acquired last summer as a result of its successful £77m bid for Mitchell Cotts.

Mr Abell also referred to the insider-trading allegations made against him by a Channel 4 television programme last year, which he has strenuously denied. He conceded that the company's share price had been affected and added that the libel proceedings were being "vigorously pursued". He said that because of the legal situation he could not comment in detail.

Polly Peck chief increases stake

Mr Asil Nadir, chairman of Polly Peck International, has increased his interest in the agricultural, electronics and textiles group from 24.07 per cent to 25.43 per cent of ordinary shares.

Restro Investments, a private company owned by Mr Nadir, this week bought a total of 2.48m shares at prices between 297p and 317p. The first shares were bought on Tuesday, when Polly Peck reported better than expected interim pre-tax profits of £48m.

Restro also bought £609,688 nominal of Polly Peck's 9 per cent convertible unsecured loan stock.

Maggie Urry looks at Reed's plans to concentrate on publishing

The cuckoo ejects the parent

IT IS hard to escape the irony in Reed International's decision to sell its paper and packaging businesses. The company, nearly a century old, has its roots in paper-making and has suffered or enjoyed the swings of the paper cycle ever since.

Reed's move into publishing came when it took control of IPC in 1970. "Now the cuckoo is pushing the other fledglings out of the nest – and the parent too", says one long-time Reed follower.

Yet yesterday's announcement of a planned management buy-out for its European paper and packaging business and the sale of the Canadian paper mill, can be seen simply as a culmination of the concentration of the group over the last few years.

In 1982, Reed reported profits from 10 different trading divisions. That will have fallen to two broad categories – publishing and paper and packaging – in the year to March 1988, to be reported on June 8 when more details of the disposals will also be revealed.

Under first Sir Alex Jarratt, then Mr Leslie Carpenter and latterly Mr Peter Davis, chief executive since 1986, Reed has been selling off what it saw as peripheral businesses.

Most famously, the Mirror newspaper group was sold to Mr Robert Maxwell in 1984. But a host of other deals saw the departure among others of the Odhams printing business, Spicer-Cowan paper merchanting, the Sanderson, Crown and Sunworthy wallpaper companies, the building products division, and the paint and do-it-yourself activities. There has also been the occasional closure, such as the Colthrop board mill at Thatcham, Berkshire.

At the same time a series of acquisitions built up the publishing interests. Recent purchases include Octopus, the consumer book publishers and Variety, the trade paper of the entertainment world.

Henceforth Reed will have one business – publishing. But Mr Davis stresses that does not mean all Reed's eggs are being put in one basket. There is a wide geographic spread between the UK and US providing the vast majority of profits, but with Europe, the Far East and Australia increasing. In the UK, he says, the publishing business gets half its revenue from advertising and the other half from cover prices or subscriptions.

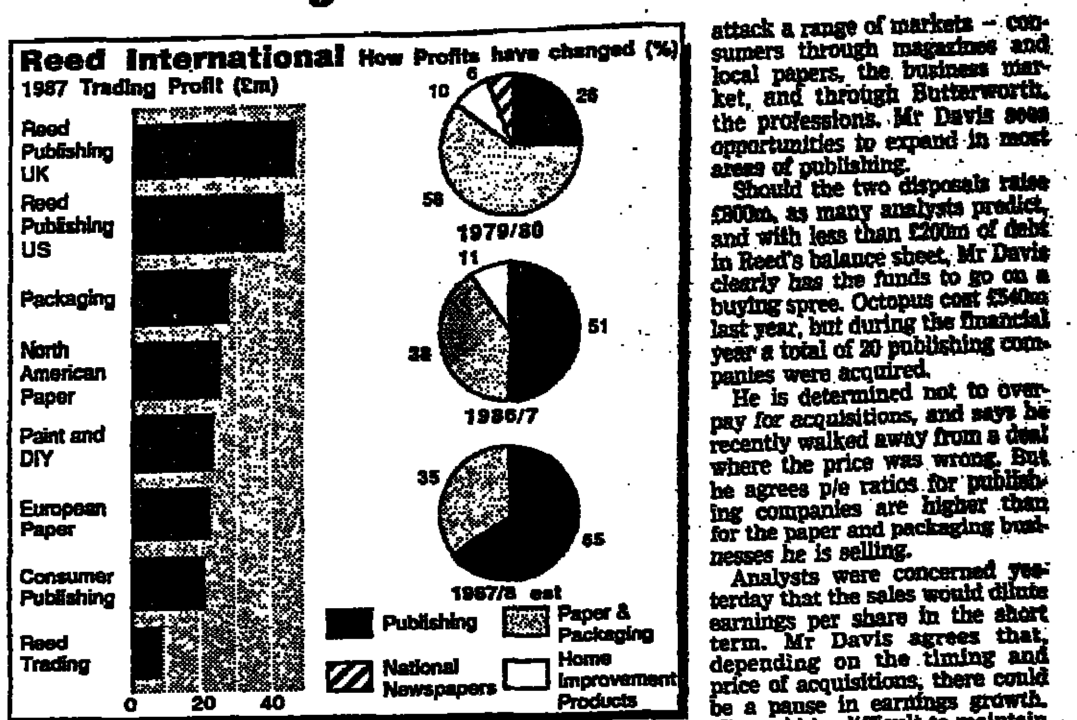
Also the publishing businesses attack a range of markets – consumers through magazines and local papers, the business market, and through Butterworth, the professions. Mr Davis sees opportunities to expand in most areas of publishing.

Should the two disposals raise £800m, as many analysts predict, and with less than £200m of debt in Reed's balance sheet, Mr Davis clearly has the funds to go on a buying spree. Octopus cost £540m last year, but during the financial year a total of 20 publishing companies were acquired.

He is determined not to overpay for acquisitions, and says he recently walked away from a deal where the price was wrong. But he agrees p/e ratios for publishing companies are higher than for the paper and packaging businesses he is selling.

Analysts were concerned yesterday that the sales would dilute earnings per share in the short term. Mr Davis agrees that, depending on the timing and price of acquisitions, there could be a pause in earnings growth. "It would be difficult to maintain a steady increase in earnings per share while doing something as significant as this," he says. But he adds "we would not be doing this if we did not think it would enhance value for shareholders."

There is also the suggestion that Reed has opened itself to a predator, by forming a coherent group with a pile of cash. Mr Davis recognises the risk, though he points out, with a market capitalisation of around £2.3bn, Reed would be a large mouthful.



Reed picks a good time for paper sale

WHATEVER THE merits of Reed's decision to sell its paper and packaging business, its timing could hardly have been better, writes Maggie Urry.

The paper industry in the UK, and around the world, has been revitalised in recent years. Only a few weeks ago Reed opened the first new paper machine at its Aylesford mill in Kent for thirty years – a sign of the resurgence in the industry.

Over the last few years Reed has also been spending heavily, investing in and streamlining its paper and packaging interests. After taking the strategic decision to sell last autumn, Reed restructured its European interests into one manufacturing group, headed by Mr Peter Williams.

In Canada too investment in the Quebec newsprint mill has been high. At the same time the improvement in newsprint prices, and a shortage of capacity as demand for the product grew, has meant a sharp rise in profits there.

There are many companies in the market anxious to extend by acquisition. Competition to buy should have ensured the best price for Reed.

However, dark clouds are appearing on the horizon in the shape of a possible downturn in the cycle once more, as new capacity comes on stream and a weakening in rate of demand growth seems probable.

Thus the businesses Reed is selling are currently eminently saleable, but in a few years time might not have proved so attractive to buyers. They comprise:

● Reed Manufacturing Group which is planned to be sold to a management team. It made a trading profit of £56.4m before central costs, on a turnover of £706m, in the year to March 1987. At the interim stage, trading profits rose 10.2 per cent to £29.9m and analysts are looking for £61m for the full year.

There are three activities within the group: European paper which includes the UK and Netherlands paper-making business, plus the transport operations handling paper and packaging; the UK packaging businesses where Reed can claim to be the largest corrugated case and carton maker in the UK, and has a strong position in plastic packaging; and Reed Trading which wholesales office stationery under the Spicers name and as Maybank is the largest waste paper merchant in Europe.

● Reed's North American Paper Group which makes 400,000 tonnes of newsprint a year, following an expansion of the mill's capacity. It also makes 35,000 tonnes of paperboard, 20,000 tonnes of market sulphite pulp and has packaging interests.

Trading profits were £24.4m in 1986-87, on sales of £179m. At the half-way stage it reported a doubling of trading profits to £18.8m following the completion of the expansion. Analysts are forecasting trading profits up to £38m in the full year.

The manufacturing group will follow two other notable management buy-outs in the sector if the plan goes ahead. Both Lawson Mardon, a Canadian-based packaging group, and UK Paper, a fine paper maker, have successfully returned to the stock market after being bought out from their parent companies, respectively BAT Industries and Bowater Industries.

Despite the cyclicality of the sector, and the heavy capital investment required – two factors which persuaded Reed to sell – Reed Manufacturing's predecessor's have shown it possible to raise backing for a buy-out.

In this case the buy-out – likely to be the second largest in the UK after MFI – has been organised by CIN Venture Managers, and includes as equity backers British Coal pension funds, British Rail pension funds, 3i, the venture capital group, Globe Investment Trust, Citicorp Venture Capital and Prudential Venture Managers. Chemical Bank is arranging the debt facilities. The group will keep the Reed name until it floats once more.

Reed's North American mill, although modernised, is old. Even so the current shortage of capacity in the newsprint market is likely to make it a desirable property, given the expense and time taken to build new mills.

Beazer extends bid again

BY PHILIP COGGAN

Beazer, the UK construction and housebuilding company, has extended yet again its $1.7bn (£914m) offer for Koppers, the US aggregates and chemicals group.

The offer has been extended until midnight tonight. About 19.74m shares, 70.2 per cent of Koppers' ordinary equity, have been validly tendered and not withdrawn; in addition, BNS, the company specially created to make the bid, owns 7.4 per cent of the equity outright.

The bid is being delayed by the courts. A hearing in a Pittsburgh court to discuss the financing is scheduled for May 31; there is an anti-trust case in California; and in Delaware, Beazer is trying to overturn Koppers' "poison pill" defence.

Meanwhile, Beazer has sold a 14.9 per cent stake in BM Group, the building materials and industrial company. BM has grown dramatically since Beazer acquired control for just £4.5m in 1984.

Beazer has gradually been reducing its stake over the last three years; the sale of the ordinary shares and of 29.9 per cent of the convertible preference shares will raise about £24m. Shearson Lehman, the US investment bank, is buying the shares to place with investors.

Laing plans office park

BY ANDREW TAYLOR, CONSTRUCTION CORRESPONDENT

John Laing, construction engineer, yesterday announced details of proposals to build a 280,000 sq ft office park on part of its headquarters site at Page Street, Mill Hill, London.

The development, which will be let to outside tenants and sold to investment institutions, is expected to have a completed value of around £44m. Details of the scheme were announced to shareholders at Laing's annual meeting yesterday.

Laing also revealed the sale of just under a third of its 25 per cent stake in Europistas, a privately-owned Spanish motorway concession company, on the Madrid stock exchange. The disposal is thought to have raised around £12m.

The company has, in the last few days, announced details of a joint venture with BAII, financial services group, to provide vehicle fleet management services to corporate customers. The venture, which starts with around 4,000 vehicles, is to be called Laing Fleet Services.

Laing is also developing the former SBD site at Maple Cross, Hertfordshire, where it has planning permission for 100,000 sq ft of offices. Construction is due to begin in September.

IN BRIEF

ALPHAMERIC: Acceptances have been received in respect of 3.72m shares (98.6 per cent) offered under the rights issue.

CRANBROOK ELECTRONIC Holdings, USM-quoted electronic component distributor, achieved pre-tax profits of £75,000 (£65,000) for six months to end-March and is to pay a maiden interim dividend of 0.5p, from earnings of 0.8p (0.6p) per 5p share. Turnover £4.24m (£4.34m).

MURRAY TECHNOLOGY Investments: net asset value at March 31 1988 stood at 83.79p, against 107.05p a year earlier. Revenue £122,410 (£99,629) before tax of £36,493 (£32,921). Earnings per share came out at 0.57p (0.44p). The single final dividend is held at 0.4p.

ROYSCOT FINANCE Group, part of the Royal Bank of Scotland, raised pre-tax profits from £12m to £12.9m in the six months to March 31 1988.

J. SMART & CO (Contractors), building and public works contractor, reported pre-tax profits of £1.12m (£660,000) for the half year to end-January 1988. Turnover £6.65m (£5.02m). There was an extraordinary gain of £525,000, relating to the disposal of the ready-mixed concrete interest in Fife. Earnings per 10p share 7.22p (4.26p). Interim dividend 1.6p (1.45p).

TATE & LYLE rights issue has been taken up in respect of 183.12m units of partly-paid stock (85.3 per cent).

WARNER ESTATE Holdings (property investment): Pre-tax profits £2.39m (£2.14m) for six months to March 31 1988 on turnover of £6.34m (£5.91m). Interim dividend 2p (1.7p) and earnings 3.2p adjusted (2.88p) per 5p share.

All-round growth boosts Redland 42% to £185m

BY VANESSA HOULDER

Redland, building materials group, yesterday announced a 42 per cent increase in pre-tax profits to £186.1m for the year to March 26. The result was scored on turnover up 38 per cent to £1.6bn.

Roofing operations reported a 27 per cent increase in profits to £75.5m. With the exception of Australia, demand and profit growth were strong in all major markets.

Profits from aggregates were up 45 per cent to £66.1m, following an excellent second half performance from the UK business, aided by the mild winter and buoyant market conditions. In the US, Genstar Stone Products, in its first full year within the group, performed well above expectations.

The bricks division reported a profits increase of 37 per cent to £25.4m. Other businesses contributed £29.2m, an increase of 44 per cent.

Net cash generation from operations was £22.6m, after £31.6m spent on acquisitions. Debt, net of cash balances, of £109.7m was mostly denominated in US dollars and D-Marks.

Gearing at the year end was 21 per cent and the interest charge for the year of £11.1m was covered over 17 times.

The directors recommend a final dividend of 10.85p, making a total of 15.85p, an increase of 22 per cent.

● comment

Although these results were much in line with expectations, a bullish line from the management caused the share price to leap by 16p to 406p. The company believes the past year's underperformance relative to the sector has been wholly undeserved – citing the solid earnings growth, the high yield of 5.4, the strong balance sheet and dividend growth and dominant position in many of its markets. Furthermore, with just 45 per cent of profits in the UK, it believes that it is well protected against a downturn in the buoyant UK construction market. That argument, however, cuts little ice with the pundits who believe in the strength of the UK market. And, scepticism about Redland's diversification into the fragmented market remains unabated. Assuming pre-tax profits of £220m in the coming year, it is on a sector rating of 8.

US group may raise stake in Cadbury

By Lisa Wood

General Cinema, the diversified US cinema chain and soft drinks bottler which holds an 18.4 per cent stake in Cadbury Schweppes, announced yesterday that it was prepared to pay up to $1bn (£538m) for more shares.

At Cadbury's current share price of 377p - up 5p in heavy trading - this would enable General Cinema to buy more than 20 per cent more of the UK confectioner and soft drinks group. The US group would however have to mount a full bid if it went above a 29.9 per cent stake in Cadbury.

Analysts in London said they believed General Cinema was trying to flush out a bidder for its stake rather than having any intention of mounting a full bid.

General Cinema disclosed its increased credit limit this week in an amendment to the US Securities and Exchange Commission when it confirmed an increased holding in Cadbury. It said: "General Cinema has purchased an additional 4.6m shares. It intends to pay for them with borrowings under the multi-currency agreements.

It is understood that General Cinema has only drawn on $10m of its credit facility, which has been increased from $575m to $1bn, but the shares bought this week for £16.3m have yet to be paid for.

Rowntree stresses value of brands

BY DAVID WALLER

Rowntree's 1987 annual report was a sumptuous affair, plump with glossy photos displaying the company's famous portfolio of brands to their best advantage. It also contained a bald statement of corporate philosophy: "Rowntree exists to market branded products to consumers throughout the world at a profit for its shareholders."

The company's long-awaited defence document, posted to shareholders yesterday, picks up where the report and accounts left off. It aims to prove why Rowntree's brands are valuable and how the company's strategy, founded on their exploitation, is designed to maximise profits. It also aims to demonstrate that Rowntree can achieve its potential without help from Nestlé or Jacobs Suchard.

The argument is buttressed with a forecast that Rowntree will make pre-tax profits of no less than £135m in the current year, 20 per cent more than the result achieved in 1987 and about £8m higher than stockbrokers' expectations. This is to be achieved without cuts in advertising expenditure, which is projected to reach record levels.

Key points in the document are that:

●Brands generate secure long-term earnings, and will continue to do so if backed by promotional expenditure. Rowntree cites the example of Smarties, Rolo, Kit Kat and Toffee Crisp, all of which have increased their share of the UK confectionery market over the past five years despite the introduction of 10 new competing brands in that time. Kit Kat is still growing strongly, 51 years after its launch.

●Rowntree's strategy for continental Europe is paying off after many years of investment. The profit forecast for 1988 shows trading profits in Europe up by 39 per cent to £15.3m, on sales up from £300.4m to £312.7m. At this level, the margin of 4.9 per cent still falls a long way short of the 13.7 per cent to be achieved in the UK this year (up from 11.6 per cent), but the aim is "to repeat throughout continental Europe the success Rowntree has achieved in the UK", and to become Europe's number one confectionery company.

●In line with an emphasis on increasing margins as well as market share, further productivity improvements will be sought. Rowntree points out that it has spent £400m over the past five years improving its manufacturing facilities. Again it cites the example of Kit Kat, where labour hours per tonne of confectionery produced have fallen by 45 per cent over the same period. Last year, there was a 9 per cent improvement in productivity. "In our manufacturing strategy, we are planning for an increase in this rate of improvement over the next few years."

●Rowntree has the financial resources to maximise the potential of its brands without Nestlé, and is already capturing benefits of scale in Europe by manufacturing high volume brands in dedicated plants. Nestlé, the document contends, has lost market share in certain key brands in recent years, and needs Rowntree more than Rowntree needs it.

Sales are predicted to rise by 5 per cent to £1.295bn, earnings per share by 15 per cent to 47p and the dividend by 19 per cent to 18.5p per share. Overall trading margins are forecast to improve by 13 per cent, from 9.4 to 10.6 per cent.

On the specific question of price, Rowntree says that Nestlé's 890p a share offer, valuing the company at £2.1bn, does not represent the inherent value of the its unique portfolio of brands, "let alone their worth to Nestlé". Mr Kenneth Dixon, Rowntree chairman, said that the same argument applied to Suchard's offer at 950p.

Coloroll has 43% of Crowther

BY ALICE RAWSTHORN

Coloroll, the home furnishings concern, yesterday announced that it controls 43 per cent of John Crowther, the textile company for which it is fighting a bid battle with the Thomas Robinson engineering group.

Robinson spent almost £2.5m yesterday in buying 1.3m Crowther shares, thereby increasing its holding in the textile group to more than 4 per cent.

By the time the stock market closed yesterday, Coloroll, which is advised by SG Warburg, had received acceptances for 32.4m Crowther shares, or 27 per cent of its equity. It already owns 14.9 per cent of Crowther's stock – the maximum permissible for an all-share bid – and has received incomplete acceptances for 934,506 shares, or nearly 1 per cent.

The £217m Coloroll offer reaches its third closing date tomorrow. Since the second closing date, last Friday, it has received acceptances for 6.2m shares (or for 7.1m including incomplete acceptances) or more than 5 per cent of the group.

Some of the large institutional shareholders in Crowther have yet to decide which offer to accept.

Robinson's share price fell by 12p to 387p yesterday following its purchase of 1.3m Crowther shares. Coloroll's share price rose by 2p to 184p, while the Crowther shares rallied by 1p to 184p.

Enterprise plans to raise £170m

BY MAX WILKINSON, RESOURCES EDITOR

Enterprise Oil, the largest UK independent oil company, announced yesterday that it is to raise about £170m of loan finance in London and the US.

The cash will be used to finance a series of development projects over the next five years.

The £100m unsecured loan stock to be issued in the UK will be repayable in 25 years. A private placement of $125m (£67m) of Senior Notes with a 20-year maturity will be made among US institutions.

The placing of the UK 10.75 per cent loan stock was completed yesterday at an issue price of £97.083 per £100 of stock, giving a yield of 11.097 per cent.

Over the next five years, Enterprise plans to spend £470m on its North Sea developments, which are expected to double its oil and gas production to more than 100,000 barrels per day by the mid-1990s.

About 40 per cent of the expenditure will be on the Nelson field, which Enterprise discovered in March this year after a series of manoeuvres to buy out the stakes of some of its partners in the block in which the field was discovered. As a result Enterprise stands to get about 100m barrels of Nelson's estimated recoverable reserves of 150m-170m barrels.

The lead managers of the debt issue are Barclays de Zoete Wedd and SG Warburg, the merchant bank. This is the first public issue of debt securities by Enterprise, which had a net cash balance of £130m at the end of 1987.

Reorganisation for J Jarvis

J Jarvis & Sons, building and property company, is being reorganised. A new holding company, J Jarvis Holdings will be formed, of which the building and property divisions will be wholly-owned subsidiaries.

Shareholders are being asked to accept one share in the new company for each old share. Mr A.M.Gammage and Mr P.C.R.Rogers are joining the holding company board.

Finsbury keeps Rea stake

BY CLARE PEARSON

THE INDEPENDENCE of Rea Brothers, recently in the balance, seemed assured yesterday when it emerged that holders of 35.9 per cent of the voting capital planned to hold on to their shares.

Finsbury Asset Management, which earlier this year announced it was reviewing its options, has told Rea's board it will not be selling its shares. "This means we shall be continuing as an independent bank," said Sir John Hill, chairman.

Mr William Salomon, a director of Finsbury and the son of Rea's late founder Sir Walter Salomon, is joining the bank's board.

At yesterday's annual meeting, Finsbury voted down a proposed 1.1p dividend which Rea had forecast last year. Finsbury said keeping the cash in the business was a demonstration of faith in the management's ability to restore profitability.

The dividend had been in line with forecasts made by Rea before last October's stock market crash. Rea's pre-tax profits in the year to end-December fell from £2.44m to £1.32m.

Finsbury said in February it had appointed Phoenix Securities, the corporate finance subsidiary of the Morgan Grenfell group, to advise it.

Marshalls Halifax advances 36%

A 21 per cent rise in turnover and higher margins pushed pre-tax profits at Marshalls Halifax up 36 per cent from £9.65m to £13.12m for the year to end-March 1988. The figure was struck after deducting £300,000 for the employee profit sharing scheme. Turnover for the Yorkshire-based concrete products company was £105.16m, against £86.58m for the previous year.

Mr David Marshall, chairman, said the company had spent £10.7m on plant and machinery, but total borrowings had only increased modestly. He said that efficient production and a concerted marketing effort had led to improved profit margins in the face of continuing strong competition.

After increased tax of £4.56m (£3.44m), earnings came out at 20.77p (15.82p). The directors have proposed a final dividend of 5.25p (4.5p), making a total of 7.25p (6.25p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Airflow ......fin	4	-	2.75	5	3
Assoc. Fisheries ......int	1	-	1	-	5
Carless Capel ......fin	1.75†	Aug 11	1.75	2.75	2.75
Castings ......fin	3.6	-	2.75	5	3.75
Cranbrook § ......int	0.5	July 1	-	-	0.5
Dobson Park Inds ..int	1.9	Aug 15	1.9	-	5.21
Globe Inv. Trust......fin	3	July 7	2.73	4.52	4.11
Hanover Druce ......fin	3†	July 29	2.65	4.35	3.85
Hazlewood Foods ..fin	1.48†	Oct 3	1.2	2.6	2.2
Irish Distillers ......int	2.24♣	July 26	2	–	7.65
Lep Group ......fin	2.7†	July 15	2.25	3.9	3.25
Marshalls H'fax ......fin	5.25†	Oct 3	4.5	7.25	6.25
Marston Thompson fin	2.05	-	1.77	2.9	2.55
Murray Tech Inv ..fin	0.4	-	0.4	0.4	0.4
Parkland Textile ....fin	3.9	July 14	3.4	5.7	5
Plessey ......fin	4.28	-	3.41	6.66	5.79☆
RHP ......int	2.4†	July 14	2.2	-	5.8
Redland ......fin	10.85	Oct 1	8.68	15.85	13
Scottish Inv. ......int	1	July 20	0.87*	-	2.45*
Smart (J) & Co ......int	1.6	July 11	1.45	-	5.25
Warner Estate ......int	2	-	1.7	-	5.4
Whessoe ......int	1	-	nil	-	1
Wolv. & Dudley ......int	2.15	-	1.82	-	5.85
Young and Co ......fin	4.7	-	4.5	9.2	8.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ♣Irish pence. ☆For 53 weeks.

UK COMPANY NEWS

UK'S LARGEST INVESTMENT TRUST REPORTS LOWER ASSET VALUE

Globe hampered by dull dollar

Globe Investment Trust, Britain's largest investment trust, yesterday reported a 7.6 per cent rise to £24.6m in attributable profits for the year to end-March. But last October's stock market crash meant that for the first time in six years its net asset value has fallen.

Mr David Hardy, chairman, said that aside from the major market correction of last October, Globe's performance was hampered by the weakness of the dollar and the relative underperformance of the US stock market.

While the bulk of Globe's investments remain in the UK, the percentage declined from 76 per cent to 71 per cent over the year, with the North American content rising from 13 per cent to 18 per cent. The portion in Japan increased from 8 per cent to 9.

With the proposed final dividend of 3p, Globe will have increased its full year payout by 10 per cent to 4.52p. This compares with a 8.5 per cent rise in fully diluted earnings per share to 4.72p, and means that Globe is continuing to raise its dividend noticeably faster than the growth in the UK retail price index.

Mr Hardy noted that over the last 20 years dividends had increased 70 per cent more than inflation, but warned that since many of the most attractive investments tend to have relatively low yields, the pace of dividend growth will not be as pronounced as in the past, and shareholders "should now expect dividend increases perhaps more in line with inflation".

The group narrowly missed meeting its other long-term objective – growing its net asset value faster than the rise in the FT-A All-Share index. Net assets per share fell by 11.1 per cent to 170.62p while the UK equity market fell by 10.3 per cent over the same period. However, Mr Hardy stressed that in terms of total return Globe continued to perform well, and instanced a £1,000 investment which over 5 years would have returned £2,796, compared with £2,291 for the average investment trust and £2,161 for the average unit trust.

Globe's unquoted investments – equivalent to around 10 per cent of the total – continued to perform better than the quoted investments where substantial holdings in British & Commonwealth, Hanson and Maxwell Communications held back the performance. Globe's unquoted investments achieved a return of 38.7 per cent on average capital employed.

● **comment**

Globe was reasonably well placed ahead of last October's crash, having £100m in cash, and has been slow to reinvest this money given that it believes that there is a bear market in place in London and New York, at least. Like many of its peers it has suffered from having too little of its money in Japan, but is sufficiently confident that the dollar is close to bottoming that it has been shifting money into the US currency, if not the stock market. Given its size, it is difficult for it to turn in anything other than an average performance for the investment trust sector. At 153p, Globe is standing at a 23 per cent discount to its current estimated net asset value of 174p. The main attraction is a yield of 4.5 per cent, which is almost 50 per cent above the sector.

W&D moves up 16% to £11m

BY LISA WOOD

Wolverhampton & Dudley Breweries, the regional brewer which trades under the Bank's and Hanson's banner, yesterday reported pre-tax profits of £11.2m for the half-year to March 27, an increase of 16.4 per cent on the corresponding period last year.

The result, which included a £135,000 contribution from property disposals – less than half that of last year – was in line with City expectations.

Earnings per share were up by 16.7 per cent to 11.2p with the interim dividend, up 18.1 per cent to 2.15p, reflecting the board's confidence in its business.

Mr David Thompson, managing director, said that volumes of both ales and lagers – W&D distributes the Harp brands – were up and that price increases last September helped increase margins from 16.2 to 17.1 per cent.

Mr Thompson said that although pub refurbishment had led to higher margins it had not necessarily meant that more beer was consumed. More food was eaten at lunch-time with a higher proportion of customers being women.

Wines and spirits, he said, advanced strongly with a "significant" increase in profit contribution. Gaming machines, said Mr Thompson, had done very well, reflecting the increase in consumer spending in the Midlands.

Mr Thompson said the economic recovery in the trading region had led to more land development, making it easier to acquire new sites for pubs. In the year W&D had either acquired or built 12 new pubs.

This year W&D acquired 61 pubs from Heron Corporation. Mr Thompson said these pubs gave W&D access to new trading areas which include Northamptonshire and Warwickshire. These pubs will not provide a significant contribution in the second half.

● **comment**

Wolverhampton & Dudley was bullish yesterday about the economic prospects in its trading areas, with increased employment in the West Midlands and the north-west filtering through to its beer sales. Customers are already spending more on premium lagers, with pub refurbishment bringing in additional trade. Britain's regional brewers have traditionally based their reputations on ales so that the national increase in the consumption of lager has weakened many of their results. However W&D has increased sales of both its ales and its lagers in a marketplace where the likes of Bass are tough competition. The company hopes to increase its free trade and *hold its premium* pricing of brands sold to supermarkets. Analysts are looking for full-year pre-tax profits of about £26m putting the shares, up 3p yesterday to 402p, on a prospective p/e of 15.

Reconstruction of free trade hits Young

Young and Co, South London brewer, reported pre-tax profits of £3.59m for the year to March 31 1988 compared with £3.56m for the previous year, writes Lisa Wood.

Turnover amounted to £42.8m (£40.9m). Gains on sales of property totalled £126,276 compared with a £11,296 loss last year. Costs involved in the reconstruction of the group's free trade amounted to £209,273 and were taken above the line. The move was taken, the directors said, to enable the group to "cope better in this highly competitive market".

A final dividend of 4.7p is proposed making a total of 9.2p (8.5p). Earnings per share were 17.24p against 17.1p last time.

The directors said profits had been *maintained through* an increase in retail profits but depressed by a fall in beer volume. Spending on repairs and improvements to property were more than last year but viewed as an investment in the future.

Approach may lead to bid for Jersey General Inv

BY NIKKI TAIT

A BID MAY be on the way for Jersey General Investment Trust, a £49m St Helier-based fund. The company announced yesterday that it had received an approach which may or may not lead to an offer being made.

Neither the company nor its adviser, Lazard Brothers, would elaborate on the statement, beyond saying that a further announcement would be made in due course and advising shareholders to take no action at present. Shares in the little-traded trust remained steady at 430p. They have dropped back from a peak of 580p at the beginning of October.

Jersey General was set up in 1931 as a investment trust vehicle for Jersey residents, and has its own investment manager. Yesterday it said there were still about 18,000 individual shareholders, predominantly Jersey residents, accounting for about 80 per cent of the shares. There are no disclosed stakes in the ordinary shares.

Recent figures from the company showed net assets per ordinary share of 489p as at end-April, although the current Datastream estimate is slightly lower at 487.5p suggesting a current *discount of about 13.4* per cent. At end-April, UK investments accounted for about 63 per cent of the equity portfolio and the US, 17 per cent.

Pub sales help Marston to £12.9m

Marston, Thompson & Evershed, the Burton-on-Trent brewer of Pedigree bitter, reported pre-tax profits of £12.9m for the year to March 26 1988 compared with £11.4m the previous year, writes Lisa Wood.

This increase was assisted by a £611,000 (£332,000) profit on the sale of pubs.

The board proposed a final dividend of 2.05p making a *total of* 2.9p (3.55p). Earnings per share worked through at 7.74p (8.32p).

Marston said sales of lager increased but ale sales fell roughly in line with the market. However Marston's Pedigree continued to gain market share. Low "C", the company's low carbohydrate pale ale, performed well. Marston said it would concentrate more marketing effort behind these two brands.

Marston said sales to the free trade were down, partly because of a net disinvestment of £1.16m in trade loans. *Instead* of discounted loans it might start discounting sales because it wanted to maintain or even gain market share.

LEP at £11m and plans gearing cut

BY ANDREW HILL

LEP Group, freight forwarding, property and security group, increased profits by 25 per cent to £11.1m before tax in the year to December 31, from £8.89m in 1986.

Turnover rose from £891m to £939m and earnings per share were up 23 per cent to 7.4p (6p).

The company is negotiating a complex deal to raise a £40m cash surplus on LEP House in London, its recently completed riverside *property near St Paul's* Cathedral. This should reduce net gearing from 80 per cent at the year-end to 20 per cent. The deal will involve setting up an associate company, which will use the office block as security for the issue of a seven-year bond.

LEP also intends to acquire the balance of shares in National Guardian Corporation (NGC), a *US security services company in* which it already holds 40.6 per cent. The merger proposal will be put to LEP shareholders at the annual meeting in July.

In 1987 the company lost more than £2m on its Austrian freight forwarding business and included rationalisation costs of £5.11m as an extraordinary loss.

Freight forwarding accounts for the bulk of group turnover. Mr John Reed, chairman, said the company intended to use computers to improve margins in the business. The US freight forwarding operation was boosted by the acquisition of 56 per cent of Profit Systems (PSI).

LEP said Swift Transport Services, which distributes industrial components in the UK, mainly to the automotive industry, also performed well.

Profits at LEP Industrial Holdings, the diversified distribution subsidiary, were cut by some *£500,000*, representing the cost of integrating two previously independent businesses.

An increased final dividend of 2.7p is recommended, making 3.9p (3.25p) *for the year.*

● **comment**

LEP has developed a wide divisional spread, from property to security services, via industrial component distribution. The core freight forwarding business will always have low margins and *high volumes, says the company*, but world-wide expansion provides stability, and computerisation should improve the value of the service offered. LEP also hopes to move its successful Swift distribution concern into Europe. Meanwhile, the property division is looking increasingly valuable: rental of LEP House at £45 per sq ft would provide solid *asset backing of about 82p a* share. Assuming the merger with NGC is approved – which is probably a formality – LEP could make as much as £25m before tax in 1988; at the current level of investment in the US company, pre-tax profits of some £18m are forecast. That would put the shares – unchanged at 145p yesterday – on a prospective p/e of about 13, which looks good value compared with previous years.

UK COMPANY NEWS

Hazlewood rises 81% boosted by acquisitions

BY PHILIP COGGAN

Hazlewood Foods said yesterday that it had no intention of bidding "in the present circumstances" for Northern Foods, fellow food manufacturer, in which it has built a 3.2 per cent stake.

The statement, which accompanied an 81 per cent jump in preliminary pre-tax profits to £33.82m (£18.65m), caused Hazlewood's share price to jump 3p to 230p, while Northern's fell 8p to 284p.

Turnover was 91 per cent higher at £381.4m (£189.2m). The final dividend is 1.475p (1.2p), making a total of 2.6p (2.2p).

Speculation that Hazlewood might bid for Northern was encouraged by the recent appointment to the board of Mr John Randall, who lost control of his food company, Avana, last year after Northern sold a key stake to Ranks Hovis McDougall. But Mr Dennis Jones, Hazlewood's finance director, said that the company had been looking at Northern for several months before Mr Randall came on board.

In its statement, Hazlewood said that "price expectations in the food sector of the stock market became inflated by the events surrounding the Nestlé bid for Rowntree. Hazlewood would not make an acquisition on terms which would impair its future earnings per share growth".

The company has achieved compound earnings per share growth of 30 per cent per annum over the past five years. In the year just reported, to March 31 1988, earnings grew 34 per cent to 12.9p (9.6p).

Hazlewood's growth has been fuelled by a large number of small acquisitions in niche food businesses. In the last year, it spent some £50m on acquisitions and £21m on capital expenditure. Acquisitions contributed £6.9m of the £15.2m increase in pre-tax profits and £68m of the £172m rise in turnover.

Since 1984, Hazlewood has made several acquisitions in Europe and overseas businesses now contribute about £55m to turnover and £7.2m to pre-tax profit.

The company's only significant problem area was pickles where competitive pressures caused margins to be squeezed and led to a £1m shortfall in profits. However, Mr Jones said the pickles performance was outweighed by strong growth in other areas.

John Randall: recent board appointment

● comment

Hazlewood's corporate formula, buying small companies and giving them marketing and distribution clout, has been so successful that investors are likely to be relieved that it has put at least a temporary halt to its bid ambitions for Northern. A contested bid would probably just distract Hazlewood from exploiting the growth potential already within the group. There are plenty of opportunities for the company in Europe, and in the fresh and chilled foods sectors. And the group is sufficiently diversified that it can surmount the problems of individual products, as happened with pickles last year. Assuming £45m pre-tax this year, the shares at 230p are on a prospective p/e of around 14.5, which seems a fair rating in the light of the company's record.

Electronic purchases spark Dobson Park to £9.1m at halfway

BY CLAY HARRIS

A BRACE of industrial electronics acquisitions helped Dobson Park Industries, mining equipment and engineering group, to increase interim pre-tax profits by 28 per cent to £9.1m.

Dobson Park's first half closed on April 2, shortly after the failure of its £33m takeover bid for MS International, another diversified mining equipment manufacturer. This resulted in a £525,000 extraordinary debit.

Although it still owns 28.5 per cent of MS, Dobson Park does not plan to include this proportion of MS profits in its own pre-tax results.

Most parts of the group had sound order books, Dobson Park said. It expected full-year trading results to exceed the 1986-87 figure. In line with past trends, however, performance in the second half was unlikely to match that in the first.

By division, operating profit came from mining equipment £4.07m (4.03m), industrial electronics £1.88m (£708,000), power tools £1.27m (£889,000), toys and plastics £545,000 (£694,000), property and investment management £1.07m (£63,000), and other engineering nil (£24,000 loss).

Much of the gain from electronics came from the inclusion of IRD Mechanalysis and Revere Corporation, two US companies which joined the group in February and July 1987 respectively.

Turnover rose to £111.5m (£99.8m) and net interest receivable to £479,000 (£173,000). The estimated tax charge is down to 34 per cent from 37 per cent in the comparable half, and 36 per cent for 1986-87 as a whole. Earnings per share rose by 10.6 per cent to 5.76p (5.21p). The interim dividend is unchanged at 1.5p.

● comment

Dobson Park did well to achieve a small rise on the mining side despite the weakness of the world market. As in other divisions, however, it remains to be seen how much of this has been pulled forward from the second half. Certainly, there are unlikely to be any more material property sales this year. Toys, on the other hand, suffered from comparison with a bumper result in the comparable half, although there has been a worrying weakness in demand for the Britains range of farm toys. Assuming full-year pre-tax profits of £17m, the shares stand on a prospective p/e of just under 9. Taking the precedent of English China Clays' treatment of its Bryant stake and CH Industrials' intention for its holding in Manganese Bronze, Dobson Park could justifiably raise this by up to £1m through equity accounting for MS. However, since Dobson Park cast doubt on MS's ability to sustain these profits, its caution is appropriate. Eventually the group will have to pursue MS or a similar target. In the meantime, the primary attraction is a prospective yield of 7.2 per cent.

Restructuring helps lift Parkland 50% to £2.4m

BY ALICE RAWSTHORN

Parkland Textile (Holdings), Bradford-based wool textile group, yesterday announced a 50 per cent rise in pre-tax profits to £2.4m for its last financial year on sales which rose by 12 per cent to £59.7m.

Mr John Hanson, managing director, said that the growth in profits reflected a good performance in every area following the group's reorganisation and its policy of concentrating on higher quality products.

Earnings per share rose to 20.6p (15.4p) in the year to March 4. The directors propose a final dividend of 3.9p making 5.7p (5p) for the year.

Parkland emerged as one of the survivors of the slump which ravaged the Yorkshire wool industry in the early 1980s, but for several years it suffered from sluggish profits.

A young management team led by Mr Hanson and his brother, Paul, *assistant managing director*, took control of the company early last year. The business has since been restructured by improving financial controls and disposing of unwanted businesses.

The yarn division benefited *from a strong performance from* Knoll Spinning, which has just completed a £5m modernisation programme, and saw sales rise to £18.5m (£17.5m). Parkland has now restructured its yarn dyeing plant.

Fabrics sales increased to £24.5m (£21.9m). A *new printing* and finishing plant came on stream six months ago. Mr Hanson said that it had mitigated the potential problem of the rise in the wool price by weaving lighter weight cloths and blends.

The reorganisation of the clothing companies is not yet completed, but Maitland Menswear benefited from the buoyancy of the men's suits market and sales rose to £16.2m (£13.6m).

Mr Hanson said that the present year had "begun well" with "very healthy" order books.

● comment

Parkland, once the archetype of a sleepy Yorkshire woollen mill, has found a new lease of life in the hands of its young management team. The strategy of tightening financial controls and steering products upmarket has *worked well so far. Some of the* improvement in last year's profits must, inevitably, have come from weeding out the past weaknesses. But there is also evidence that Parkland has gained ground within the marketplace. There is not only scope for further *improvement* but *some of its* recent investment should come to fruition this year. The prospects for the wool price are a cause for concern, as is the company's ability to continue to buck the downward trend within knitwear. Yet the City expects profits of £2.7m this year which leaves the shares, on a prospective *p/e* of 8, with further to go.

Castings up 46%

Castings, malleable ironfounders, lifted taxable profits by 46 per *cent to £2.74m in the year to end-*March on turnover ahead from £14.59m to £17.63.

A final dividend of 3.6p is recommended from earnings of 17.33p (12.67p) per 10p share, making a total of 5p (3.75p).

A J Archer downturn

Reduced pre-tax profits of £144,000 were reported by A J Archer Holdings, Lloyds insurance underwriting agent, for the six months ended March 31 1988. The previous figure was £284,000, but directors said the lower profits were in line with the forecast made at the time of flotation in February.

The decline arises from increased operating expenses and interest charges associated with the reorganisation from partnership to a public company, and with the flotation.

Earnings for the period fell from 0.8p to 0.4p. For the full year the directors intend to recommend a single 4p dividend.

The group is setting up two *new syndicates – an aviation* loss syndicate, expected to start business on July 1, and a marine excess of loss syndicate planned to start on January 1 1989.

Airflow Streamlines up 55% to £2.57m

Airflow Streamlines is confident about prospects for the present financial year after reporting pre-tax profits up 55 per cent in the 12 months to February 29 1988.

The taxable result rose from £1.66m to £2.57m on turnover ahead *20* per cent *to £49.4m* (£41.31m). A final dividend of 4p is proposed, for a total of 5p (3p) on earnings per share of 18.54p (11.95p).

Airflow, which makes assemblies and pressings for the automobile industry, is also a Ford *main dealer. It is confident of* benefits from increased UK vehicle manufacturing and continued high demand for new Ford cars.

Scottish Invest shows improvement

Net *asset value of* Scottish Investment Trust stood at 159.6p on April 30 1988 compared with 154p six months earlier. The directors said that with the exception of the UK and West Germany, where its performance was in line with the main equity indices, *the trust outperformed* in all the major markets.

The interim dividend is lifted from an adjusted 0.87p to 1p, payable from earnings ahead from 0.97p to 1.14p.

Gross revenue, which benefited *from significant increases* in dividends both in the UK and US, rose to £7.35m (£6.32m). Pre-tax revenue amounted to £4.21m (£3.78m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Craton Lodge & Knight, Neotronics Technology, Sedgwick, Union Steel Corporation of South Africa.

Finals- Chamberlin & Hill, Elgar, Goodwin Warren Control Systems, Kelsey Industries.

FUTURE DATES

Interims-	
Durban Roodepoort Deep	June 6
East Rand Prop Mines	June 6
First Union Gen Inv Trust	June 10
Horne (Robert)	June 14
Finals-	
Blyvooruitzicht Gold	June 6
Burtonwood Brewery	July 7
Century Oils	June 2
Imry Merchant Developers	June 2
Landleisure	June 20
Leigh Interests	June 9
Lyons Irish	June 15
Magnet	June 13
Slebe	June 2
Stead & Simpson	June 1

UK COMPANY NEWS

Carless disappoints City with 80% jump to £6.8m

BY VANESSA HOULDER

Carless Capel & Leonard, independent oil company, yesterday announced profits of £6.8m for the year to March 31 1988, an increase of 80 per cent on the £3.8m before tax and exceptional item scored in the previous year. Turnover increased from £104.9m to £125.7m.

However, the results were at the lower end of City expectations and the shares dropped 3p to 128p.

Mr Ian Clubb, chief executive, said there had been significant progress and improved profitability during the year. The results were all the more pleasing in view of the adverse factors that have affected the oil industry in general, including the continued instability in crude oil prices, a depreciating dollar, eroded margins and a mild winter.

The company views the future with optimism, said Mr Clubb. The upstream activities have considerably increased the reserve base which should be reflected in future results. The downstream earnings are expected to show steady progress following the rationalisation of recent acquisitions and with organic growth.

The company plans to change its name to Carless to strengthen corporate identity.

The share of profits from its associate company Century Power and Light was £3.42m. Its 41.2 per cent stake was sold in April for £51.9m, realising a cash surplus of £13.8m on the original investment in 11 months. The company now has a net cash balance of £10m, it said.

At the year-end, the UK proven and probable net oil and gas reserves rose 47 per cent to 32.3m barrels of oil equivalent.

The recommended final dividend is maintained at 1.75p per share, making an unchanged total of 2.75p.

● comment

As a hybrid between a pure exploration and production company and a refining and & marketing business, Carless is something of an oddity among the oil independents. And this it intends to remain, with plans to expand in both directions. Its search for small downstream acquisitions – last year it bought three for about £12m – should continue. And following its enforced exit from Century Power and Light – a disappointment tempered by the handsome return it made on its investment – Carless is hoping to pick up some North Sea assets. Mr Clubb, however, is insistent that he will not pay the "crazy" prices bandied around at present and as such it may fall back on licence applications and farm-ins. Carless' current shortage of North Sea assets is reflected in its share price, which does not sport the kind of *bid* premium shown by stocks like Clyde. Speculation surrounding the possible sale of the 27.7 per cent stake belonging to London Merchant Securities is generally thought to be overblown.

Prowting offer 20 times subscribed

By Philip Coggan

THE offer-for-sale in Prowting, the building group, was about 20 times subscribed, making it the most successful flotation so far this year. Lazards received applications for 241m shares, worth about £400m at the offer price of 165p.

ASW Holdings, the steel company, was also marginally oversubscribed – applications were received for 38.7m shares as against the 26.7m on offer.

Priority applications from Prowting employees will be allotted in full. The basis of allocation for the remainder is as follows: those who applied for between 200 and 1,000 shares will go into a weighted ballot for 200 shares; 2,000-9,000 shares – a weighted ballot for 500 shares; 10,000-100,000 – 6 per cent, up to a maximum of 5,500 shares; 110,000-300,000 – 5 per cent, up to a maximum of 13,000 shares; more than 300,000 – 4 per cent, subject to a maximum of 60,000.

ASW employees will also have their applications allotted in full. The basis of allocation for other applications is as follows: up to 1,000 shares – allotted in full; 1,500 shares – 1,200 allotted; 2,000 shares – 1,400 allotted; 2,500 shares and over – 66.1 per cent of those applied for.

US withdrawal helps Lilley achieve £2.2m

BY CLARE PEARSON

FJC Lilley, Scottish construction group, achieved £2.2m before tax in the year to the end of January when it closed most of the US operations which had plunged it £50m into the red in the previous twelve months. Turnover was down from £331.2m to £249.5m.

Disposals and the recovery of claims allowed net borrowings to fall from £47.7m to £12.1m. Net current assets turned round from £12.2m negative to £9.2m positive. Earnings per share rose to 3.3p, from a negative 51.5p.

There is no dividend payment, but a capital restructuring is proposed which involves halving the nominal value of the shares which will transfer about £10m to the profit and loss account.

The cost of disengagement from the US, which will be completed this year, was taken as a £11.5m (£3.9m) extraordinary charge. A £1.1m (£39.7m) exceptional item was mainly the writing off of costs on a US subsidiary's contract in Cairo.

Mr Lewis Robertson, chairman, said: "It is noteworthy and encouraging" that businesses identified as continuing elements of the group - UK and non-US international construction - had shown a combined improvement of £5.3m on the previous year.

Operating profits in UK construction rose to £5.97m (£3.89m). Eden Construction had an "excellent" year, although the performance of Lilley Construction, which suffered most from publicity about the group's problems, was only "satisfactory."

International construction turned in a £1.77m (£1.49m) profit. Lilley Construction International made good progress in Hong Kong, where it is a member of the consortium for the Eastern Harbour Crossing tunnel project.

● comment

With these results the unhappy chapter of FJC Lilley's involvement in the US is almost brought to a close, notes company doctor Lewis Robertson in the lengthy and detailed account of his treatment which accompanies these figures. "Now is the time to look forward to the positive factors," he notes, lingering over the growth prospects in sight for the high calibre UK operations and the benefits that should accrue from introducing the company, for the first time, to a group structure. The next year or so will be mainly about using the flow of money recovered from claims to provide a breathing space for the UK companies. But, though this may be fascinating business for Mr Robertson, it is not likely to generate a great deal of interest in the shares. Profits forecasts for the current year are no more than guesstimates, since they depend so crucially on what may be picked up in the US, Nigeria, Cairo and various other places. However, a conservative view would be £6m pre-tax, which puts the shares on a p/e of about 6.5.

USM quote for Southnews

BY FIONA THOMPSON

Southnews, publisher of paid-for and free local newspapers in the south-east of England, is joining the Unlisted Securities Market via a placing valuing the company at £24.25m.

Hill Samuel is placing 3.13m shares, representing 20.6 per cent of the enlarged equity, at 160p. Existing shareholders are selling 400,000 shares, institutional shareholders are placing 1.04m shares and the balance – 1.69m new shares – will raise £2.4m for the company.

Southnews publishes 16 weekly titles – seven paid-for and nine free, with a combined average circulation of 710,000 copies a week. They are concentrated in three main areas – west London, south Buckinghamshire and parts of the south coast. The oldest newspaper, the Uxbridge Gazette series, was founded in 1840. All the titles are contract printed and the group employs a total of 415 people.

Southnews was formed in 1986 via a management buy-in of a division of Westminster Press. The buy-in was led by Mr David Platt and Mr Gareth Clark, present managing director and finance director of Southnews respectively. Since 1986, the original business has expanded and there have been a number of acquisitions.

The £2.4m raised for the company will be used to repay loans used to finance the buy-in and to provide flexibility for further acquisitions.

In 1984 the business made a pre-tax loss of £11,000. This turned into a profit of £2.81m for the year to April 2 1988, putting the shares on an historic p/e ratio of 9.6, after the actual tax charge of 14.7 per cent.

Property division lifts Hanover Druce

Hanover Druce, estates agency and property-related financial services group, yesterday revealed a 24 per cent expansion to £1.81m in pre-tax profits for the year to February 29.

The property division made a useful contribution, the directors said, with profits of £420,000 (£68,000) arising from joint ventures with clients of the estate agency.

Turnover rose 41 per cent from £12.86m to £18.09m. Earnings per 10p share were 14.3p (15.7p) and the proposed final dividend is lifted to 3p for a total of 4.35p (3.85p).

An extraordinary charge of £61,000 related to professional fees incurred on abortive acquisitions.

Irish Distillers up 37% to I£7.8m

An increase in interim pre-tax profits of 37 per cent at Irish Distillers Group reflected the benefits of last year's cost cutting operation, the company said. For the six months to March 31 profits increased from I£5.73m to I£7.84m (£6.6m).

Turnover was up at £126.72m (£117.81m) resulting mainly from an increase in exports, which was offset by a decline in the home market. Earnings per share came out at 9.89p (7.11p) and the interim dividend is being increased to 2.2p (2p).

The results were in line with the company's budgets and the board expected a satisfactory outcome for the year.

Restructuring sparks recovery at Whessoe

Last year's substantial restructuring package appears to be paying off at Whessoe. In the six months to March 26, the engineering group achieved pre-tax profits of £760,000 against a loss of £5.36m last time.

Mr George Duncan, chairman, said the results sustained the recovery shown in last year's second half. However, profits were held back by additional provisions against contract losses and low levels of activity in pipework operations.

Turnover rose to £46.74m (£40.02m). Earnings per share were 2.9p against a loss of 19.8p. The group is returning to the interim dividend list with a payment of 1p.

Assoc Fisheries falls to £2.2m

PRE-TAX profits at Associated Fisheries, food processor and cold storage group, fell 26 per cent in the six months to March 31 1988 from £3.01m to £2.24m. Turnover fell from £51.86m to £50.3m.

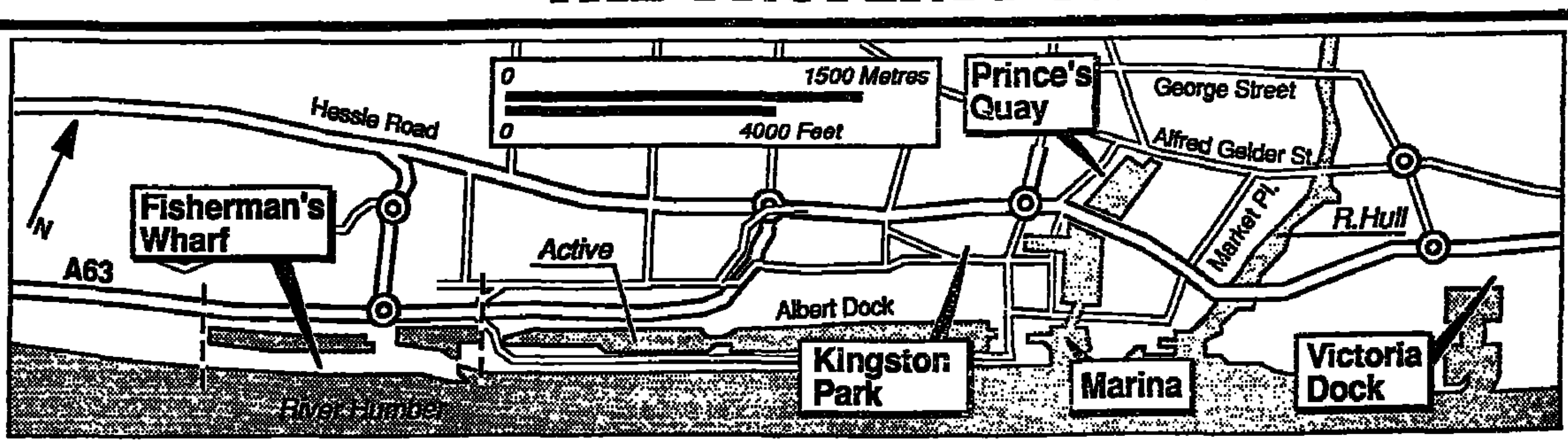
Operating profit, however, rose 28 per cent from £1.81m to £2.32m. The contribution from food processing and trading rose strongly from £416,000 to £791,000 and engineering produced a £60,000 profit against a £391,000 loss previously. Cold storage, transport and warehousing, however, made £742,000, down from £1.16m.

The company expects operating results to continue to improve during the rest of the year.

Investment income in the latest period was sharply lower at £575,000 (£1.81m). The interim dividend is being held at 1p on earnings of 8.35p (11.55p).

At the request of the parent company, Eastern Produce (Holdings), Associated Fisheries' year-end is to be changed to a calendar year basis from 1989. The current year will cover the 15 months to December 31 1988.

BY PAUL CHEESERIGHT



Hull's breakthrough on the waterfront

"IT HAS been the most important month in Hull's history," says the city council official. He is stretching the point – Hull has a long history. But the remark indicates excitement that property development is climbing to an unexpectedly high level.

Certainly the council has had a good few weeks. Four important developments brought to a total of £250m the amount of committed private sector investment in and around the city. This was just the sort of boost its urban regeneration programme needed after piecemeal progress since the early 1970s, without the aid of devices like urban development corporations.

While it is true that the Labour-controlled city council has a strategy paper on regeneration, especially for the River Humber frontage, it had previously been following it on a catch-as-catch-can basis.

Now it can cash in on the economic growth which has seen unemployment in the city drop by three percentage points in the past year to 13.1 per cent. It can exploit the property developers' push to provide facilities where people can spend their increasing disposable incomes. It can tap the rising trend towards home ownership.

The four projects reflect these underlying movements:

● Bellway Urban Renewals has formed a 60-40 joint venture company with the city council to redevelop 150 acres of waterfront, called the Victoria Dock project, to provide 1,300 homes. The city council's share of the equity comes from its contribution of the land, which it is buying from Associated British Ports. The Government is supporting the scheme with an urban regeneration grant of £17m, the largest it has so far made.

● Associated British Ports, through its Grosvenor Square Properties subsidiary, has started work on Fishermans Wharf in the old St Andrew's Dock. It is draining 18 acres on which it will put 250,000 sq ft of retail warehouses and a leisure complex, plus an industrial park.

● Wykeland has received planning permission for Kingston Park, a mixed complex of 110,000 sq ft of retail space, restaurant, 10-screen cinema, ice arena and bowling alley. The site is on 20 acres adjacent to the city centre.

● On the former Princes Dock, Land Securities, Balfour Beatty and Teesland Development have started work on the £60m Princes Quay complex to provide 200,000 sq ft of shopping and 50,000 sq ft of leisure facilities.

This last project is linked to an Alders department store in the city centre and there will be direct access to Kingston Park. Princes Quay provides a link to the city's Marina, which the council developed on its own initiative with the help of Government grants. The Marina has provided the setting for a new Trusthouse Forte hotel.

While in places like Liverpool and Southampton marinas have been seen as a focal point for other forms of economic activity – mainly shopping – this has not been the case in Hull. What it has done there, apart from stimulating the hotel development, is to set off housing projects. It has improved the environment, rather than providing an economic growth point.

Taking Kingston Park, Princes Quay and the Marina together, the effect is to expand the town centre southwards so that it meets the river. To that extent the regeneration in Hull has similarities to what is happening in Southampton and what the Merseyside Development Corporation would like to happen in Liverpool.

Despite the city council's purchase of the small city centre docks, which are now the base of the Marina and Princes Quay, the major player on the waterfront is Associated British Ports.

Its land has a river frontage of seven miles and covers 2,000 acres. The main working docks are on the east of the town and handled more cargo last year than at any time since 1974, although with a third of the staff. Fish handling and processing takes place on the west side, between the town centre and Fishermans Wharf. Hull has become a significant entrepot for foreign fishing fleets, notably that of Iceland.

The city council realises that the waterfront cannot be rehabilitated without ABP, and ABP realises that it cannot pursue its growing vocation as a property developer without the goodwill of the council for planning consents and so on. The relationship is *uneasy, a marriage of convenience* rather than love.

With Fishermans Wharf under way and Victoria Dock sold to the city council, the last big area the future of which needs resolving is Alexandra Dock, just to the west of the Bellway-Hull City Council joint venture. Once there were aspirations to turn it into a freeport, but the Government refused approval. Now ABP is uncertain what to do with it.

It could be held for docks expansion; it is an ideal site for, say, bulk oils. Given the flow eastwards of Britain's trade, coupled with the revival of the port as a whole, there are obvious attractions in this, especially as the maintenance costs of the dock are minimal. It could be used, alternatively, for another property development.

That poses a different set of problems. Housing would need to be at the top end of the range to provide the returns ABP would require. With a new retail park already under construction, there seems little point in creating self-generated competition. The same might be said for industrial facilities on a speculative basis, especially as the city council and English Estates have projects, and there are private sector developments of larger units.

The striking point about the most recent developments, however, is the emphasis on retail schemes. Public and private sector alike agree that Hull city centre has indifferent shopping facilities and that there has long been a need to improve them. Out-of-town stores have arrived, but on a haphazard basis, and there will be no retail warehouse park until Fishermans Wharf is completed.

So the question now is whether the existing developments, plus refurbishments in the city centre, will saturate the city, or whether the local retail boom has some way to run. Certainly the prospect of Princes Quay is livening up the market.

Andrew Clark of Dickinson Davy & Markham, chartered surveyors, says the top Zone A rents – and there have been few recent open market lettings – have been at £80 a sq ft. But rent reviews have been settled at a lower level.

On Princes Quay, though, over a third of the space has been pre-let, largely to clothing outlets for the Burton and Sears group and for Next, at £85 a sq ft Zone A. Presumably this new high level of rents will be reflected in pressures for rent increases in the main established shopping areas.

Hull is the natural shopping centre for Humberside – greater Hull's catchment area consists of 350,000 people. The new developments put it in a stronger position *vis-à-vis* York, its main competitor, which is 38 miles away. Shopping studies have suggested that with the opening of the Humber Bridge and the improvement of communications – the A63 link to the M62 motorway – the potential catchment area for the new Hull shopping developments is 850,000.

That sort of figure gives an immediate justification to the higher rents for city shops, but as the experience of the Metro-Centre at Gateshead has shown, shopping habits can be slow to adapt to the provision of new facilities.

One side effect of the developments, however, is that they are expected to make Hull a more vibrant city. That, in turn, could improve perceptions of it as a place in which to run a business.

TECHNOLOGY

The practical nature of Olivetti's VIP visionary

David Fishlock examines Hermann Hauser's view of research

AT OLIVETTI, the Italian office equipment company, VIP stands for very important project. To Hermann Hauser, physicist and founder of Acorn Computers, now 80 per cent owned by Olivetti, this means the sort of work that translates a vision into a product.

One of Hauser's VIPs is a personal office computing system which integrates all the electronics on and around a secretary's desk: telephone, fax, telex, photocopier, dictating machine and so on. When he told Olivetti executives of his vision, he brandished a "black box", made of polystyrene foam, and told them what he expected his scientists to make it do within the ensuing five years. It got their attention, he says.

His list of things the box must do – as told to the annual conference of the European Industrial Research Management Association in Madrid last week – included that it should:

- function as an electronic notepad for writing or speech, even reading handwriting;
- remember phone numbers and names, and be able to set up an international phone conference;
- print and file documents.

Working out how it will do all this while remaining little bigger than a chocolate box is the job of a network of laboratories set up by Hauser over the past 18 months. There are eight so far, mostly in Europe.

Their target is the "office of the future" and the aim is to invent new office systems inside five years. This is Olivetti's answer to the pace of Japanese innovation, says Hauser, who is head of corporate research. He envisages Olivetti producing business systems in future, rather than the discrete products of today.

Elserino Piol, head of strategy at Olivetti, set out to hire Hauser because he believed he would take a more visionary view than was customary in the company. Hauser had remained Acorn's second biggest shareholder after the 1985 takeover, but at first stayed aloof from Olivetti.

He was lured in a year later with an offer of a research budget for that year of $24m and the freedom to set up his own laboratories and choose the staff. The holder of dual Austrian and British nationality, he became Olivetti's first foreign vice president for research.

Hauser has convinced the company that time is too short for a conventional approach to corporate research, which is to have one central lab. It would take too long to assemble a "critical mass" of talent in one place.

His answer is a network of research centres located in what he calls hot spots of innovation. "My feeling is that this is the only way of doing advanced research these days."

The centres are in Italy (five), Nuremburg in West Germany, Palo Alto in California and Cambridge in the UK. At full strength each will have about 25 professionals. This year they will between them spend about $30m (£16m).

Two more are planned to complete the network – in Boston, Massachusetts, and in Japan. This will give Hauser a corporate research staff of about 250. He also controls what he calls an "external laboratory", an agency of three people who negotiate research contracts with academics.

Each laboratory, as well as doing its own research, is a listening post strategically placed where Hauser believes information technology is making rapid progress. "Nothing happens in Silicon Valley that I don't know about in 24 hours."

Hauser's criteria for the laboratories include that they should be close to both centres of academic excellence and to new high technology businesses. "It's like consulting an encyclopaedia," he says of one small company specialising in image processing.

Start-up companies have vision, he says, citing recent research that showed small companies to be 24 times more innovative than big ones. He relishes working with entrepreneurs, whereas others may find them idiosyncratic and time consuming.

A characteristic of start-ups is their financial instability *and* Olivetti can help ease this. Hauser is quick to reassure the companies involved that he is *after* their expertise, not their product secrets. Once they accept this, they talk readily, he says.

Hauser controls his research network from Olivetti's headquarters in Ivrea, northern Italy, where he has one of his labs. He has a research board which provides him with top-level links with the product divisions.

Technology transfer is expected to take place between scientists and engineers at all levels, helped by exchanges of staff both within the network and between it and Olivetti's product division laboratories, which employ 6,000 on short-term development.

Hauser believes that the way to make each laboratory really productive is to attach supreme importance to recruiting the right leader. In Cambridge that person is Andrew Hopper, from the computing sciences department, where Hauser once worked.

Hopper is an expert in computer networking – highly relevant to the goal of integrating the thinking of the far-flung labs.

Professor Maurice Wilkes, the 73-year-old doyen of computer science in Cambridge, has also been recruited. The Olivetti laboratory is within 200 metres of the university labs that Wilkes used to run, and the scientists mingle freely.

Hauser forecasts that the next decade will prove the most exciting years yet in the history of computing science, with an improvement of at least 1,000-fold in computer performance. It is his ambition to develop a system with so much computing power "it will be proud of us."

Hermann Hauser: Time is too short for conventional R&D approach

WORTH WATCHING

Edited by Geoffrey Charlish

No oxygen but plenty of natural gas

TUNNEL Refineries, the largest UK starch maker, is dealing with the waste water from its Greenwich site with an anaerobic treatment plant that will reduce the amount of organic material in the water by a factor of 10. The £1.5m plant, one the largest in Europe, has been built by Biomechanics of Coventry.

Anaerobic treatment uses bacteria to degrade organic waste biologically without oxygen, converting most of it into methane (the main constituent of natural gas) and carbon dioxide. In the more conventional aerobic processes, common in sewage works, the bacteria need oxygen to be able to eat the pollutants. Four times as much energy is needed to induce sufficient oxygen into the water.

The Biomechanics plant consumes only 100 kilowatts of electricity and produces natural gas worth £100,000 a year. It processes 3,500 cubic metres of waste per day. The normally unmanned plant is controlled by a computer which gives warning of any problems.

Direct line for the spoken message

VOICE messaging, the verbal equivalent of electronic mail, is being offered by UK company Tudor Computing of Esher, Surrey.

Callers to a company exchange, who cannot get the person they want, record the message into an electronic "mail box". Later, when the box "owner" calls the system, it will tell him if there are any messages. He dials his box to hear them.

Access to the boxes can be from any extension or from the external phone network. The rationale for such systems, claims Tudor, is that many business calls fail to reach the intended recipient first time and, in any case, they often only consist of a one way message.

Soft mastery of court proceedings

SOUND Techniques, a UK company of Mildenhall, Suffolk, is offering a computer and software package to manage court proceedings.

Approved by the UK Home Office, the programmes run on computers made by Alpha Microsystems of Slough.

The software is available in four modules, covering prosecutions, fines and fees, matrimonial maintenance and fixed penalties. Users can start with the processor and one module, adding others later.

Options and enhancements include a legal aid facility, magistrates' rota, court management statistics, word processing and a spelling check.

Computers for single and multiple users can be supplied to cater for any size of court.

BT ventures into designer holidays

BRITISH TELECOM has taken a 51 per cent interest in Holiday Designers, a UK company which has just launched a holiday booking system that enables travel agent customers to make transport and accommodation arrangements tailored to meet their individual requirements.

Using Prestel (videotex) colour screens, travel agents can give customers "one stop" facilities to select flights, hotels, car hire and other services of their choice.

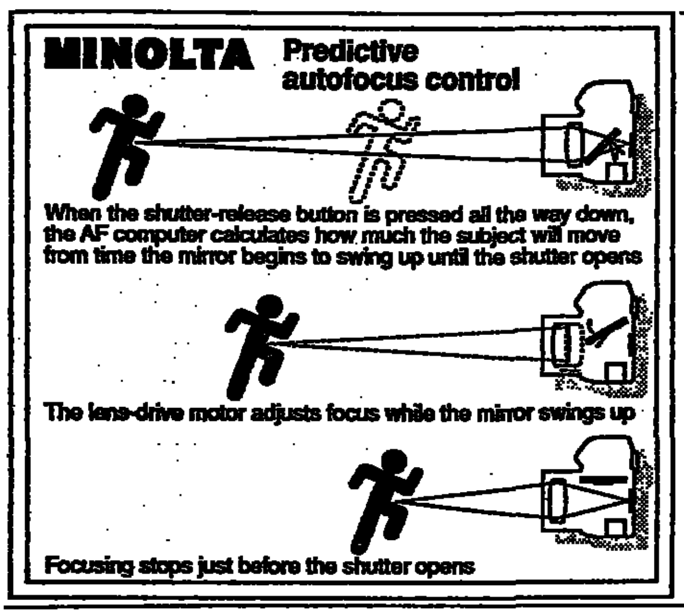
The system is claimed to be totally unbiased since Holiday Designers "is not answerable to any principal, nor does any supplier of travel services have a financial interest in the company."

About £2m has been invested in the system, which has been developed by Holiday Designers in conjunction with BT Applied Telecommunications.

The system is based on an IBM 3090 mainframe computer with switched connections to suppliers such as airlines and hotels.

These suppliers constantly update the database (information store) for use by the 18,000 videotex screens at over 6,500 UK travel agents.

CONTACTS. Biomechanics: UK, 0203 52115. Tudor Computing: 0372 69021. Sound Techniques: UK, 0638 71631. British Telecom: London, 726 4444.



Minolta brings down the shutters on any lack of creativity

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

ANY DUFFER, as any number of family albums will testify, can take a blurry photograph. But what about the camera buff who wants to exercise a little skill and turn in a flattering, *deliberately* soft focus picture of a grizzled relative or the family dog?

Something of a challenge for the average owner of a modern point-and-shoot automatic camera which has been designed to make such things difficult, if not impossible, the task has been made simple by Minolta of Japan.

Just as a personal computer's capacities can be extended by inserting a disk, so the abilities of the Minolta's latest top-of-the-range camera can be improved by inserting a "creative expansion card."

Measuring 2cm by 3cm, each card contains a memory circuit connected to a microprocessor which interfaces with the £400 Dynax 7000i's main built-in computer. Functions vary from the "fantasy" card, which produces a soft focus effect by switching on the lens drive motor as the shutter is opened, to inserts for close-ups, portraits and customised function that allow the user to adjust seven of the camera's countless basic operations.

Ranging in price between £13 and £30 each, the 10 cards offer retailers an extra attraction for the conventional marketing package of body, lenses, flash and case, and the opportunity for Minolta to add on extra features through further cards, thus extending the product cycle beyond the three or four years usual for an SLR (single lens reflex).

The company has also set its competitors fresh challenges in the race to pack more features into an ergonomically-designed camera body.

The 7000i, launched simultaneously last week in all world markets, has a high-torque lens drive which is claimed to focus four times faster than Minolta's 7000 model. It also boasts a liquid crystal display data panel which can show combinations of 15 different modes.

But the company is especially proud of the new predictive focus control which can capture a moving subject in sharp focus. For a picture of a runner approaching the camera, for example, the computer can predict the subject's distance from the lens at the instant of exposure, and continues focusing automatically even as the mirror swings up, stopping as the shutter opens.

Hype analysts can make what they like of Minolta's claim to have developed "the world's most intelligent camera," but the introduction marks an intelligent move in one of the few sectors of the camera market which is growing and turning in decent margins

There are about 200 different compact 35mm pocket models costing an average of £63 on sale in Britain. Sales are increasing and last year reached 2m units out of total camera sales of 3.8m. But competition is strong and margins have suffered.

Much of the growth has been at the expense of the single lens reflex market. Partly because of relatively high prices averaging £210, and the perceived difficulty of using these cameras, sales have fallen. In the UK last year volume sales fell from 415,000 to 394,000 units.

However, the introduction of automatic focus SLRs, which started three years ago with Minolta's launch of a £300 model, has helped improve things. British autofocus sales last year were only 90,000 compared with 480,000 in Japan, but they rang up £330m at retail prices, and captured 23 per cent of the total SLR trade.

In the year after its introduction Minolta's first autofocus camera was given much of the credit for a near-70 per cent increase in company profits.

In its own way the new breed of cameras may also help film makers. With the capacity to bang off three or four frames a second, it must surely do something to bolster the average Briton's film consumption of a wretched two rolls a year.

COMMODITIES AND AGRICULTURE

US wheat producers' set-aside cut to 10%

BY NANCY DUNNE IN WASHINGTON

THE US Agriculture Department has cut its acreage set-aside requirements for wheat-producers from 27.5 per cent of planted acreage to 10 per cent, a radical departure from recent years.

The department responded to calls by the farm lobby for a smaller set-aside to discourage overseas production and to ensure adequate supplies in order to continue the aggressive US export expansion.

Farmer organisations also expressed concern that, with rising prices, producers would be encouraged to drop out of the acreage reduction programme altogether. The price support loan rate has been set at $2.06 a bushel, down from $2.57 a bushel.

Mr Frank Johannsen, president of the National Association of Wheat Growers, has esimated the season average price for this year's crop in the $3 to $3.25 range. Producer income is increased, however, by government subsidies paid for the difference between the farm price and the Government's target price of $4.10 a bushel.

A recent USDA report forecast reduced 1988-89 wheat supplies, continued strong demand and a drop in US stocks to their lowest level since 1975-76. Exports in 1988-89 are forecast at 1.5bn bushels, one of the largest shipments on record.

World import demand is expected to be lower this year, but the US market share, boosted by export subsidies under the Export Enhancement Programme, is still expected to exceed 40 per cent.

Bad weather in Europe and the Soviet Union and low wheat prices early in 1987-88 kept competitors' production down. As a result, US exports are expected to reach 43.5m tonnes by the end of this trade year (July-June), the highest volume since 1981 and more than 15m tonnes above 1986-87.

End-year stocks on June 1 next year are projected to fall below 800m tonnes, the figure USDA considers necessary to keep in stock for domestic emergencies.

With a 27.5 per cent set aside in place for the 1988-89 crop, USDA officials are projecting a 59m-tonne wheat harvest.

Next year's smaller set-aside will bring an additional 10m acres into production, raising output to about 67m tonnes.

EC Commission may have to aid small cereal farmers

BY TIM DICKSON IN BRUSSELS

THE European Commission may be forced to intervene with its own stop-gap solution next week after member-states yesterday failed to find a formula to shield small cereal producers from the worst effects of Common Agricultural Policy reform.

The ultimately-deadlocked meeting of farm experts in Brussels was seen by some as a key test for the EC's new determination to control costs in the grains sector.

However, a close observer last night said it ended up in a largely theological dispute about the relative powers of the Commission and the Council of Ministers.

The problem arises because the EC has not yet agreed farm-price levels for 1988-89, and the June 1 start of the harvest in the EC's Mediterranean states is fast approaching.

That is all the more serious this year because the summit meeting of EC heads of government in February decided, as part of the new stabiliser regime, to apply an extra co-responsibility levy, that is production tax, of 3 per cent this year and told farm ministers to find new rules for exempting smaller producers.

Representatives of the member-states yesterday unanimously agreed that the provisional price for soft wheat in the southern countries would be fixed at the same level as last year.

This means the basic co-responsibility of 3 per cent and the extra levy – to be reimbursed if the total EC harvest does not exceed 160m tonnes – will each be Ecu5.38 a tonne.

The experts, however, were unable to decide a new system for exempting small producers because of opposition to the proposal from Italy, Greece and Spain.

Greece and Italy are understood to have demanded a bigger share of the Ecu220m which has been set aside in this year's draft budget. Spain insists the Commission should allow it to exempt farmers on more than the first 25 tonnes of output, the limit under existing rules.

A Commission spokesman last night indicated the Brussels executive would examine the situation and would find a solution before June 1 "to ensure the proper functioning of the system."

It is understood that behind the technical arguments there is concern in Brussels that Italy, which with Spain exempts its small producers from the levy, while other member-states reimburse them, is allowing larger producers to avoid paying the tax.

Officials are worried that because the levy size has been doubled this represents an increasingly unacceptable loss to the EC budget.

Meanwhile, there are signs that farm bodies across the EC – cognizant of the early forecasts for the harvest which suggest that it will not exceed 160m tonnes – are unhappy at the prospect of early payment of the extra co-responsibility.

One lobbyist in Brussels last night said it could represent the profit margin for some farmers and that if the maximum ceiling were not breached, reimbursement was unlikely until June next year.

John Barham on the burdens of a sector emerging from stagnation

Brazilian agriculture proves to be dynamic but risky

BRAZILIAN AGRICULTURE is emerging from a decade of stagnation: farmers are reaping their second consecutive record harvest; the Government is forecasting another bumper harvest for next year: the wealth created by the harvest has averted economic crisis.

Yet Brazilian agriculture for all its prosperity is still labouring under increasingly heavy burdens: yields have faltered; surprisingly under-sophisticated markets expose farmers to potentially huge risks; creaking infrastructure can no longer handle the rising output efficiently.

Observers doubt Brazil can raise grains output much beyond 7m tonnes a year without immediate improvements. However, there can be no denying the dynamism of Brazil's agriculture.

This year's harvest will total 66m tonnes, 1.5 per cent more than last year and 25 per cent more than in 1986. Were it not for dry weather in the south, Brazil's richest farming region, the harvest would have been 1m tonnes larger.

In comparison, for most of the 1980s farm output always hovered at about 55m tonnes a year, even though the population grew by 2.5 per cent each year.

Now, output of soyabeans, Brazil's most important export crop, has risen by 6 per cent, to 18m tonnes. Rice and beans, two key domestic staples, rose 11 per cent and 33 per cent respectively.

Mr Jose Sarney, the politically-embattled President of Brazil, has claimed credit for the harvest. Last week he said "never has agriculture received so many resources as it has under this Government."

Market observers say the output surge is due more to market forces than to government policies. True, the Government bombarded farmers with billions of dollars of cheap credit and firmly supported prices of domestic staples.

However, Mr Stanley Haar, commercial director at Continental Grain's office in Sao Paulo, said: "The underlying factor was high world prices at planting time. Prices were very high, so the farmers just went out and planted more."

Mr Haar notes, though, that average yields have fallen. This year's 1.5 per cent rise in output has come more from the creation of new land than from better productivity.

Indeed, although Brazil is the world's second-largest producer of soyabeans, its soya yields of 1.7 tonnes per hectare have fallen behind those in Argentina and trail Western Europe and North America.

Drought in southern Brazil caused much of the decline in yields. However, losses there were offset by increased planting in central Brazil, a region only recently opened to farming. Even though national soyabean yields fell by 8 per cent, output actually rose by 6 per cent.

Some landowners, fearful of losing property under Brazil's land-reform policy, began tilling previously idle land, thus helping to raise output slightly.

Most of the increased output has come from new farming regions in Brazil's vast interior. But the bumper harvests along the so-called New Agricultural Frontiers are creating as many difficulties as they solve.

The most pressing problem is the transport system: railways do not exist; few farm roads, if any, are paved, which causes delays and adds to costs; the nearest processing, consuming and export centres lie up to 1,000 miles south, in Sao Paulo.

The Government is talking about building a waterway that would feed into the River Plate: produce from western Brazil could be shipped to Argentine or Uruguayan ports where it could be transshipped for export.

In spite of the big harvest, prices are still rising. Inflation, running at 600 per cent a year, is keeping real interest rates low, which encourages farmers to hold on to much of their output. This is driving prices up further, as supplies dry up.

Soyabean farmers are betting heavily on a disappointing North American crop, which would send world prices spiralling up even higher. Domestic soya prices are already well above the international market, forcing crushers to begin closing plants.

This is expecially worrying because Brazil is losing the soya oil war to the US. Brazilian crushers have already lost the Indian market to subsidised US exports.

Brazilian farmers are taking huge gambles with their produce by betting very heavily on a continued price rise. Few farmers hedge their prices, because futures contracts are often badly written and the very concept of hedging is poorly understood.

Instead, farmers watch domestic and international price movements carefully, ready to act at the hint of downward price shifts.

This is risky. For example, a good US soya crop would bring world prices down as supplies surge. Falling world prices could deal Brazilian farm prices a body-blow. The effects of a bear market in soya would be magnified as farmers rushed to dump stocks, dragging all farm prices down rapidly.

THE BRAZILIAN Government has bowed to intense pressure from sugar cane producers to delay its withdrawal from sugar exports, writes John Barham in Sao Paulo.

President Jose Sarney agreed on Tuesday to extend Brazil's state monopoly in sugar exports another year due to operating difficulties.

At present, the Brazilian Government's Sugar and Alcohol Institute (IAA) is responsible for all sugar exports.

BRAZILIAN GRAIN PRODUCTION (m tonnes)

	1986-87	1987-88	% change
Soya	17.1	18.0	+5.5
Rice	10.6	11.8	+11
Corn	26.8	25.0	-6.7
Wheat	6.2	5.4	-6.5
Others	4.3	5.4	+25
Total	65	66	+1.5

Source: Companhia de Financiamento da Producao

Canadian mining companies warned

By Our Commodities Staff

CANADIAN MINING companies were devoting too much time looking for gold and not enough boosting base-metal reserves which had become dangerously depleted in recent years, Mr Norman Keevil, president of Teck Corporation, warned yesterday.

Teck is the Vancouver-based natural resources group which started life as a gold mining company.

Mr Keevil said that gold reserves rose sharply in recent years but reserves of zinc, copper, nickel and iron ore had dropped substantially.

"The biggest challenge facing us today is to replace our waning production base, which is our reserves," he told a mining conference.

His remarks echo those of Mr Andrew Buxton, RTZ Corporation's director of metals who recently suggested the mining industry world-wide had devoted too much energy to gold-exploration at the expense of other minerals.

Mr Buxton said: "The almost religious zeal which gold evokes and, it might be argued, its intrinsic usefulness, makes this the mining industry's late-20th century equivalent of building the Pyramids."

The present high prices for metals could be traced to a gradual erosion of the industry's ability to produce, Mr Buxton suggested. For example, the effective capacity of the world's copper mines was 1m tonnes below nominal capacity.

Yesterday Mr Keevil said that since 1981 Canada's gold reserves had jumped by 94 per cent but in the same period reserves of nickel had fallen by nearly 20 per cent, those of copper by more than 21 per cent and those of zinc by 24 per cent.

"We need more exploration and more effective exploration, particulary for metals other than gold," he said.

Elders Futures sets up London office

By Stephen Fidler, Euromarkets Correspondent

ELDERS FUTURES, the New York-based futures and options arm of Elders Group, of Australia, is establishing a branch office in London.

The office will initially service clients in the three areas energy, metals and currency and financial futures. Elders will maintain its floor presence on the International Petroleum Exchange.

Malaysia moves to dampen speculative interest in rubber

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN RUBBER officials, concerned the market was rapidly overheating, yesterday moved to dampen speculative interest as prices continue to soar.

On the Malaysian market yesterday RSS1, the hedging grade, rose by another 2.5 cents to an eight-year high of 377 cents a kilo. It has risen by 15 per cent in the past week.

Mr Ng Kok Tee, a Rubber Exchange official, said the market needed to "cool down and digest the unsettled positions."

He said that while the price rise in recent months was due to strong fundamentals, the sharp increases in the past fortnight were largely due to speculation, emitting from the Tokyo market.

Officials of the Kuala Lumpur-based International Natural Rubber Organisation said its bufferstock sales had lost impact on the market, which is now in the control of speculators.

Mr Ahmad Farouk Ishak, chairman, Malaysian Rubber Research and Development Board, the industry's regulatory authority, focused his reassurances on the rubber latex market. There panic buying has forced prices to an all-time high of more than eight ringgit a kilo.

Conceding current supply of latex concentrate is very tight, because Malaysian producers were already committed to foreign buyers till the year's end, he said Malaysia could raise latex output by an additional 100,000 tonnes with some effort.

He said the two government buying agencies, the Rubber Smallholders Authority and Mardec, would produce more latex concentrate by stepping up purchases of latex from farmers.

Last year Malaysia produced about 300,000 tonnes of concentrate of which 35,000 tonnes were consumed locally. Local consumption this year is expected to rise to 65,000 tonnes.

Latex rubber forms only 7 per cent of the natural rubber market but the scramble for this grade by gloves and condoms factories, demand from which is mushrooming, has resulted in tightness in the market all round.

Concentrate is selling at more than a four-ringgit premium over RSS1 when the traditional premium is only 50 cents a kilo.

Meanwhile, the Statistics Department said Malaysian rubber output for this first quarter amounted to 389,857 tonnes, or 2.8 per cent lower than for the corresponding period last year. However, exports in the period rose by 8.6 per cent, to 438,292 tonnes.

Seaborne steam-coal trade growth predicted

BY MAURICE SAMUELSON

A SUSTAINED growth in seaborne trade in steam-coal is predicted in a report on trends to 1990 and beyond by UK-based Ocean Shipping Consultants.

However, the report says the growth rate will depend critically on uncertainties affecting decisions over energy choice in the next decade.

The report says last year's volume of traded steam-coal was probably close to the 1986 level of 133m tonnes. It expects that by 1990 the trade will have expanded by about 30 per cent, reaching 173m tonnes in 1990.

Thereafter, the growth rate is more uncertain. If oil prices held stable to 1995 and nuclear power continued to mark time, the outlook for coal shipments would remain bullish, with demand totalling 247m tonnes in 1995 and more than 325m tonnes by 2000.

If oil prices remained weak and there was only moderate economic growth but more nuclear development, the coal trade would still grow but would reach only 208m tonnes in 1995 and 260m tonnes by 2000.

Growth forecasts have been scaled down in recent years but present volumes of sea-traded coal are still twice as big as they were just before the second oil-price crisis a decade ago.

Growth was especially sharp in 1982-86 when tonnages rose almost 48 per cent, to 133m tonnes.

As a result, the study foresees a period of sustained increase in average bulk-carrier freight rates, with the gains of recent months being consolidated.

Initially, this would result in a strong demand for Panamax vessels (50,000 tonnes to 65,000 tonnes) but port expansion and shipping could boost freight rates for Cape-size vessels (120,000 tonnes to 150,000 tonnes) in the medium term.

Steam-Coal Trade & Transport to 2000. Ocean Shipping Consultants, Beacon House, South Road, Weybridge, Surrey KT13 9DZ. £345 ($690).

WORLD COMMODITIES PRICES

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.78-4.82u	-0.06
Brent Blend	$16.38-6.43z	+0.085
W.T.I.(1 pm est)	$17.42-7.45u	+0.03
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$193-195	-1
Gas Oil (Soviet)	$138-140	
Heavy Fuel Oil	$75-77	+0.5
Naphtha	$163-165	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$453 75	-0.25
Silver (per troy oz)♣	661c	-4
Platinum (per troy oz)	$576 00	-0.25
Palladium (per troy oz)	$124.50	+0.25
Aluminium (free market)	$3025	+20
Copper (US Producer)	105⅝-106c	-4
Lead (US Producer)	35.0c	-0.5
Nickel (free market)	770c	-20
Tin (European free market)	£3735	
Tin (Kuala Lumpur market)	17.68r	+0.5
Tin (New York)	324.5c	
Zinc (Euro Prod. Price)	$1122.5	
Zinc (US Prime Western)	55.5c	
Cattle (live weight)†	112.30p	
Sheep (dead weight)†	228.14p	
Pigs (live weight)†	69.79p	
London daily sugar (raw)	$239.8y	-2.4
London daily sugar (white)	$251.5y	-2.0
Tate and Lyle export price	£235.5	-1.0
Barley (English feed)	£108t	
Maize (US No. 3 yellow)	£136s	
Wheat (US Dark Northern)	£97.75y	-0.25
Rubber (spot)♥	82.00p	+1.00
Rubber (July)♥	85 50p	+1.00
Rubber (Aug)♥	85.75p	+1.00
Rubber (KL RSS No 1 June)	377 0m	+2.5
Coconut oil (Philippines)§	$530s	-5
Palm Oil (Malaysian)§	$440 0	+2.5
Copra (Philippines)§	$355	
Soyabeans (US)	£171	-4
Cotton "A" index	67.00c	-0.45
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. x-May/Jul. t-Jun. s-May/Jun. z-Aug. y-Jun/Jul. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	922	955	940	914
Jly	934	964	958	930
Sep	954	984	978	950
Dec	975	1004	998	969
Mar	1001	1026	1017	994
May	1018	1044	1025	1014
Jul	1040	1063	1043	1030

Turnover: 5307 (7461) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 25 : 1285.84 (1288.33) .10 day average for May 26 : 1246.38 (1238.29)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1048	1050	1049	1037
Jly	1064	1067	1070	1053
Sep	1069	1082	1081	1062
Nov	1080	1095	1092	1070
Jan	1087	1105	1098	1080
Mar	1098	1115	1103	1090
May	1108	1117		

Turnover: 2563 (2605) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 25: Comp. daily 1979 116.45 (116.21); 15 day average 116.83 (116.67).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Aug	210.40	210 00	210.80	198.00
Oct	210.00	209.20	210.20	197.20
Dec	210.20	209.80		
Mar	209.00	209.00	219.60	197.00
May	209.00	209.20		
White	**Close**	**Previous**	**High/Low**	
Aug	249.00	248.30	250.00	247.00
Oct	245.00	244.00	244.00	243.50
Dec	245.50	244.50		
Mar	249 00	250.00	248.00	
May	251.00	251.50		
Aug	254.00	252.50		

Turnover: Raw 1098 (1258) lots of 50 tonnes; White 223 (968).
Paris- White (FFr per tonne): Aug 1437, Oct 1425, Dec 1430, Mar 1455, May 1465, Aug 1475

GAS OIL $/tonne

	Close	Previous	High/Low	
Jun	139.75	139.50	140 25	139.25
Jul	140.25	138.75	140.50	139.50
Aug	141.75	141 50	141.75	141.25
Sep	143.25	143.00	143.25	142.50
Oct	144.50	145.00	145.25	144.25
Nov	147.25	146.50	146.25	

Turnover: 2308 (2880) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jly	107.40	107.20	107.40	107.25
Sep	103.40	103.70	103.70	103.40
Nov	105.30	105.60	105.60	105.30
Jan	107.65	108.00	108 00	107.65
Mar	109.75	110.25	110.00	109.75
May	112.00	112.50	112.25	112.00
Barley	**Close**	**Previous**	**High/Low**	
Sep	100.50	100.80	100.80	100.50
Nov	102.80	103.15	103 15	102.80
Jan	105.35	105.70	105.60	105 35
Mar	107.50	107.70	107.70	107.50
May	109.65	110 00	109.80	109.65

Turnover: Wheat 111 (266) , Barley 271 (261) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,700 tonne
Cash	3110-30	3000-20		3015-35		
3 months	2400-20	2405-25		2400-20	2430-50	4,477 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 19,900 tonne
Cash	1645-50	1585-90	1602	1600-2		
3 months	1273-4	1272-3	1288/1268	1271-2	1288-9	50,630 lots
Copper, Grade A (£ per tonne)						Ring turnover 58,500 tonne
Cash	1274-5	1265-70	1280/1273	1273-5		
3 months	1110-1	1095-7	1114/1105	1110-2	1113-4	69,533 lots
Copper, Standard (£ per tonne)						Ring turnover 25 tonne
Cash	1140-60	1140-70	1160	1140-60		
3 months	1075-85	1060-70		1075-85		45 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	657-9	662-4		653-6		
3 months	668-70	674-6		665-8	665-70	659 lots
Lead (£ per tonne)						Ring turnover 14,450 tonne
Cash	399-400	398-400		390-5		
3 months	358.5-7	355-6	357/348	349-6	354-5	11,851 lots
Nickel ($ per tonne)						Ring turnover 1,980 tonne
Cash	16300-800	16500-7000	16500	16600-700		
3 months	13550-700	13800-800	13600/13600	13750-850	13500-600	6,339 lots
Zinc (£ per tonne)						Ring turnover 10,850 tonne
Cash	669-9	670-5	673	673-4		
3 months	631-3	629-30	635/630	632-3	630-1	20,583 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	89.9	92.0		
Feb	102.0	102.0		
Apr	133.3	134.3	135.0	132.0
May	143.0	144.0		

Turnover: 195 (230) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Jun	144.00	147.50		
Aug	139.00	143.50		
Oct	140.00	144.50	140.50	139.00
Dec	142.50	146.50	145.00	142.00
Feb	145.50	148.00	146.00	
Apr	147.00	151.00		

Turnover: 130 (527) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jly	1223.0	1265.0	1250.0	1220.0
Oct	1324.0	1350.0	1340.0	1320.0
Jan	1325.0	1356.0	1345.0	1330.0
Apr	1345.0	1387.5	1365.0	1340.0
BFI	1382.0	1404.0		

Turnover: 703 (475)

FRUIT AND VEGETABLES

Summer fruits from Spain like apricots 65-85p a lb (75-90p), peaches and nectarines 20-35p each (26-35p) are more widely available, reports FFVIB. Supplies of both imported Strawberries 48-78p a half lb (55-85p) and English 75p-£1.25 (£1.00-1.50) are improved. Apple prices remain stable - Cape and New Zealand Golden Delicious 30-50p a lb. New season potatoes are down to 15-25p a lb (20-32p) for Brittany Prince spuds, 18-28p (30-40p) for homegrown supplies and 20-35p (25-40p) for Jersey Royals. Cauliflowers are up to 35-75p (25-55p). Imported courgettes 55-85p a lb (60p-£1.00) and English asparagus £1.35-2.00 (1.40-2.20) are down. British Iceberg lettuce at 60p-£1 00 each, Homegrown Cos 30-45p and crisp lettuce 35-45p, are now in the shops. Beef tomatoes are 65-85p a lb (70p-£1.00)

LONDON BULLION MARKET

[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

US MARKETS

SILVER AND PLATINUM finished steady on short-covering and commission house buying, but failed to penetrate near-term resistance, reports Drexel Burnham Lambert. Gold fluctuated around unchanged, easing with the release of the GNP data, but failed to make any significant recovery. Copper closed higher on short-covering as traders squared positions in the expiring May contract. Energy futures broke short-term resistance and rallied on technical buying. Cocoa fell sharply with trade selling, speculative long-liquidation and sell stops in response to reports of possible origin selling. Coffee eased in light volume. Sugar found support from scale-down trade buying but failed to penetrate overhead resistance and fell back in late trading. Cattle futures were mixed and lacklustre with only marginal pressure on cash prices. Hogs and bellies were featureless. Professional selling added to pressure in the soybeans with forecasts of rain for the next week. Meal came under pressure from weak premiums in Europe and South America, but found eventual support from reports that the U.S.S.R. may buy Argentinian meal.

New York

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	17.43	17.37	17.46	17.29
Aug	17.65	17.56	17.69	17.48
Sep	17.77	17.67	17.80	17.60
Oct	17.83	17.73	17.77	17.68
Nov	17.84	17.75	17.84	17.70
Dec	17.87	17.77	17.83	17.71

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	754/0	759/0	764/4	744/4
Aug	758/2	765/4	769/4	750/0
Sep	764/0	769/0	774/0	753/0
Nov	770/4	777/0	782/4	758/4

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Australian $ hits 80 US cents

THERE IS no doubting the market's fascination with the Australian dollar at present. It made several attacks on the target level of 80 US cents (A$1.25 per US dollar) yesterday.

Although it failed to establish itself above 80 cents, this was largely the result of profit taking after the recent rise. Sentiment suggests that the underlying trend remains strong.

The strength of the Australian dollar is part of the present demand for high yielding currencies.

Tokyo was said to be obsessed with the Australian dollar, and at one time the currency moved slightly above 80 US cents in Far East trading.

This followed a favourable reception for the Australian mini-Budget, and the comment by Mr Paul Keating, the Australian Treasurer, that a strong currency would help to reduce inflation.

It closed at 79.95 US cents in Tokyo, and then weakened further in early London trading, before making another attack on 80 cents before lunch, and closing at 79.75 cents (A$1.2540 per US dollar).

High interest rates are also a major factor supporting the Australian dollar, which is all part of the general attraction of high yielding currencies at present.

Others included in this group are the US dollar and sterling.

US interest rates are relatively high, after a recent tightening of monetary policy by the Federal Reserve.

The US currency remained firm yesterday, but showed little reaction to confusing data on US growth and inflation.

An upward revision to 3.9 p.c. GNP growth in the first quarter, from an earlier estimate of 2.3 p.c., was higher than expected, and at first glance the rise of 1.7 p.c. in the implicit price deflator, from the previous 2.4 p.c. was encouraging.

Whether the price deflator is a particularly good guide to inflation was doubted however, and in general the market was not as impressed with the GNP data as might have been expected.

In subdued trading the dollar rose to DM1.7065 from DM1.7055; to Y124.40 from Y124.30; and to FFr5.7525 from FFr5.7400, but eased to SFr1.4240 from SFr1.4245.

On Bank of England figures the dollar's exchange rate index was unchanged at 93.2.

Sterling tended to move in line with the dollar. Trading was quiet, awaiting today's publication of the April UK trade figures.

The City is expecting a visible deficit of about £1bn (£854m in March), and a current account shortfall of £400m (£254m), but as economists have found recently the figures are unpredictable.

If the result is better than expected the pound may encounter further upward pressure, but the market has begun to question the authorities' reaction to a further rise, particularly against the D-Mark.

Much of the pound's recent strength has been a result of the D-Mark's weakness, and does not indicate any new wave of confidence towards sterling, according to Barclays Bank.

Barclays adds that in such conditions it is possible to imagine that the authorities opposition to further sterling gains vis-a-vis the D-Mark will become less apparent.

This in turn means the Bank of England may be better able to withstand pressure for a further cut in bank base rates.

The pound rose to DM3.1800 from DM3.1775; to Y231.75 from Y231.50; and to FFr10.7175 from FFr10.6950, but eased to SFr2.6525 from SFr2.6550.

Sterling closed unchanged against the dollar at $1.8630, and its exchange rate index, according to the Bank of England, was unchanged throughout the day at 78.3.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4093	+2.24	+0.84	±1.5344
Danish Krone	7.85212	7.94200	+1.14	-0.26	±1.5404
German D-Mark	2.05853	2.08343	+1.21	-0.19	±1.0981
French Franc	6.90403	7.03136	+1.84	+0.44	±1.3674
Dutch Guilder	2.31943	2.33265	+0.57	-0.83	±1.5012
Irish Punt	0.768411	0.778727	+1.34	-0.06	±1.6684
Italian Lira	1483.58	1547.29	+4.29	+3.40	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

May 26	Latest	Previous Close
£ Spot	1.8620-1.8630	1.8625-1.8635
1 month	par-0.01dis	0.02-0.01dis
3 months	0.10-0.07pm	0.09-0.07pm
12 months	0.98-0.88pm	0.85-0.75pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

May 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8595-1.8640	1.8625-1.8635	0.02dis-0.01cpm	-0.03	0.09-0.04pm	0.14
Canada	2.3020-2.3080	2.3055-2.3065	0.27-0.37cdis	-1.67	0.80-0.92dis	-1.49
Netherlands	3.55½-3.56½	3.55½-3.56½	1¼-⅛cpm	3.37	3⅛-2⅞pm	3.51
Belgium	66.10-66.50	66.25-66.35	16-parcpm	1.45	37-17pm	1.63
Denmark	12.11½-12.14	12.12¼-12.13¼	¾-2¼oredis	-1.73	3¼-5½dis	-1.42
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]

STERLING INDEX

	May 26	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

CURRENCY MOVEMENTS

May 26	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

May 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

May 26	£	$
Korea(Sth)	1358.90-1371.20	732.80-738.80
Kuwait	0.51100-0.51150	0.27460-0.27470
Luxembourg	66.25-66.35	35.55-35.65
Malaysia	4.8065-4.8170	2.5840-2.5860
Mexico	4246.80-4267.70	2282.00-2292.00
N. Zealand	2.6655-2.6705	1.4325-1.4350
Saudi Ar.	6.9785-6.9845	3.7500-3.7510
Singapore	3.7540-3.7585	2.0160-2.0180
S. Af (Cm)	4.1385-4.1490	2.2255-2.2280
S. Af (Fn)	5.4360-5.5580	2.9195-2.9850
Taiwan	53.20-53.45	28.55-28.65
U.A.E.	6.8345-6.8400	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

May 26	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
YEN	4.314	8.037	13.72	1000.	46.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.933	1.738	2.966	216.2	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.377	0.702	1.199	87.37	4.041	1.	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.281	0.523	0.893	65.11	3.011	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.424	0.789	1.347	98.18	4.540	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.434	0.808	1.379	100.5	4.649	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.508	2.810	4.796	349.6	16.17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts nervous and weak

UK GILT futures finished at the day's lows on London's futures market yesterday. A softer tone in US bonds and nervousness ahead of UK trade figures, encouraged many investors to take profits and stay on the sidelines.

Trading was extremely subdued during the morning, and after starting at 120-17, unchanged from the previous close, the June contract lost ground during the day to finish at a low of 120-06.

US Treasury bond prices opened on a slightly firmer note, and showed little initial reaction to US GNP revisions for the 1st quarter of 1988. Although inflation worries on the price deflator were relieved by a 1.7 p.c. increase against 2.4 p.c. previously, a rise of 3.9 p.c. against 2.3 p.c. in GNP growth, increased concern that the Fed would have to tighten its monetary stance.

Consequently the June bond price fell from a high of 85-31 to finish at 85-18, down from 85-28 at the start and 85-25 on Wednesday.

Three-month Euro-dollar futures acted in much the same way, opening at 92.34 for June delivery and slipping to 92.30 at the close, down from 92.36.

While sentiment in gilt futures was affected by a weaker US bond market, short sterling prices finished slightly up on the day. The June price finished at 92.15, up from 92.12 at the start and Wednesday's close.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	563	623	7	15
92	409	443	17	35
94	234	314	42	106
96	118	204	126	160
98	38	114	246	306
100	15	42	423	434
102	7	21	615	613

Estimated volume total, Calls 1207 Puts 1106
Previous day's open int. Calls 13300 Puts 18430

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
78	659	635	15	47
80	514	504	34	116
82	341	350	61	162
84	218	246	138	258
86	117	157	237	405
88	45	116	401	528
90	24	52	544	700

Estimated volume total, Calls 1 Puts 30
Previous day's open int. Calls 282 Puts 101

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
16500	1255	1450	35	100
17000	829	1056	109	226
17500	486	726	256	376
18000	248	468	528	618
18500	108	283	888	933
19000	40	159	1320	1309
19500	13	84	1793	1734

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 28 Puts 78

LIFFE $/£ OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements				Puts-settlements			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

7-10 YEAR 9% NOTIONAL GILT

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE MONTH STERLING

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE MONTH EURODOLLAR

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BONDS 8%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK (IMM)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

UK rates firmer

INTEREST RATES were a little higher in London yesterday, as investors showed concern ahead of today's release of UK trade figures for April. Although the pound finished little changed on the day, three-month interbank money was quoted at 7¾-7$\frac{11}{16}$ p.c. compared with 7$\frac{11}{16}$-7⅝ p.c., while the one year rate rose to 8⅞-8¾ p.c. from 8$\frac{13}{16}$-8$\frac{11}{16}$ p.c.

Overnight money opened at 7⅞-7¾ p.c. and traded between a high of 8 p.c. and a low of 7 p.c.

UK clearing bank base lending rate 7½ per cent from May 18

The Bank of England forecast a money market shortage of around £900m, with factors affecting the market including repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills, draining £885m. Exchequer transactions took out a further £55m while banks brought forward balances £45m below target. In addition there was a rise in the note circulation of £120m.

To help alleviate the shortage, the Bank offered an early round of assistance, which totalled £179m and comprised sale and repurchase agreements at 7$\frac{13}{16}$ p.c., unwinding on June 14.

The forecast was revised to a shortage of around £850m, before taking into account the early help, and the Bank gave additional assistance in the morning of £156m, comprising outright purchases of £95m of eligible bank bills in band 1 at 7⅜ p.c. and £8m in band 2, also at 7⅜ p.c. It also arranged sale and repurchase agreements on £53m of bills at 7$\frac{13}{16}$ p.c., unwinding on June 14.

In the afternoon, a further revision took the forecast to a shortage of £800m, and the Bank gave help of £255m, of which £248m comprised outright purchases of £3m of Treasury bills and £238m of eligible bank bills in band 1 and £7m of eligible bank bills in band 2, all at 7⅜ p.c. It also arranged sale and repurchase agreements on £7m of bills at 7$\frac{13}{16}$ p.c., unwinding on June 14. Late help came to £180m, making a total of £770m.

In Paris the Bank of France cut its key money market rates by a quarter of a point. The intervention rate was reduced to 7 p.c., and on seven day repurchase agreements to 7¼ p.c.

Dealers pointed out that some form of reduction had already been broadly hinted at by Mr Pierre Beregovoy, French Finance Minister, on Wednesday.

In addition however, the Bank raised the minimum reserve requirement on commercial banks' savings book deposits with the central bank to 2.5 p.c. from 2 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 26) 3 months US dollars | 6 months US Dollars

bid	offer	bid	offer
[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	[illegible]	[illegible]
Broker loan rate	[illegible]	[illegible]	[illegible]
Fed. funds	[illegible]	[illegible]	[illegible]
Fed. funds at intervention	[illegible]	[illegible]	[illegible]

May 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 7⅜ per cent; three months [illegible] per cent; Bank Bills (sell); one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 29, 1988. Agreed rates for period May 25 1988 to June 25, 1988, Scheme I: [illegible] p.c. Schemes II & III: 9.58 p.c. Reference rate for period April 1, 1988 to April 29, 1988, Scheme IV & V: [illegible] p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate [illegible] from May 1, 1988; Bank Deposit Rates for sums at seven days notice [illegible] per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-twelve months [illegible] per cent; Under £100,000 [illegible] per cent from May 17, 1988. Deposits withdrawn for cash [illegible] per cent.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 88 Vol	Last	Nov. 88 Vol	Last	Feb. 89 Vol	Last	Stock
GOLD C	$460	53	12.90	10	23	-	-	$453.50
GOLD C	$500	10	2.30	25	8	80	14.50	$453.50
GOLD P	$440	71	5	18	8	-	-	$453.50
GOLD P	$460	50	12.50	1	14.70	-	-	$453.50
GOLD P	$480	10	26.50	4	26.50	-	-	$453.50
		Jun. 88		Jul. 88		Aug. 88		
EOE Index C	Fl. 195	41	9.70	2	12.50	-	-	Fl. 204.03
EOE Index C	Fl. 200	91	7 B	2	10	-	-	Fl. 204.03
EOE Index C	Fl. 205	223	4.50	4	7.50	-	-	Fl. 204.03
EOE Index C	Fl. 210	52	2.50	38	5	4	7.20	Fl. 204.03
EOE Index C	Fl. 215	14	1.40 A	2	3.50	-	-	Fl. 204.03
EOE Index P	Fl. 190	18	1.20	4	3 A	2	5	Fl. 204.03
EOE Index P	Fl. 195	25	2.40	11	4.30	-	-	Fl. 204.03
EOE Index P	Fl. 200	100	3.50	92	6	-	-	Fl. 204.03
EOE Index P	Fl. 205	53	6	-	-	-	-	Fl. 204.03
EOE Index P	Fl. 210	11	9	52	11.70 B	-	-	Fl. 204.03
S/Fl C	Fl. 185	15	6.30	-	-	-	-	Fl. 191.15
S/Fl C	Fl. 190	39	2	4	2.50	-	-	Fl. 191.15
S/Fl P	Fl. 180	160	0.10	-	-	-	-	Fl. 191.15
S/Fl P	Fl. 190	17	1	80	2	-	-	Fl. 191.15
S/Fl P	Fl. 195	5	4.20	-	-	50	6.70	Fl. 191.15
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl. 40	127	0.60	12	1.20	28	1.90	Fl. 37.80
ABN P	Fl. 40	308	2.80	33	4.10	-	-	Fl. 37.80
AEGON C	Fl. 70	126	7.50	33	8.70	-	-	Fl. 76.70
AEGON P	Fl. 70	37	0.70	4	1.70	3	3.50	Fl. 76.70
AHOLD C	Fl. 75	4	1	4	2.50	14	4	Fl. 71
AHOLD P	Fl. 70	80	2.30	4	3.20	-	-	Fl. 71
AKZO C	Fl. 110	610	3.90	103	7.50	76	8.40	Fl. 108.50
AKZO P	Fl. 100	49	1.50	137	3.50 B	5	5	Fl. 108.50
AMEV C	Fl. 55	65	0.80	-	-	-	-	Fl. 50.30
AMEV P	Fl. 50	7	1.90	24	3.50	-	-	Fl. 50.30
AMRO C	Fl. 65	102	1.70	118	2.90	-	-	Fl. 63.20
AMRO P	Fl. 65	2	2.90 A	9	5.20	-	-	Fl. 63.20
BUHRMANN-T C	Fl. 45	90	2.80	17	4.40	-	-	Fl. 46.50
BUHRMANN-T P	Fl. 45	72	1.30	10	2.20	-	-	Fl. 46.50
ELSEVIER C	Fl. 55	42	0.70	148	2	20	3	Fl. 52
ELSEVIER P	Fl. 50	15	1.20	9	2.50 A	5	3.50	Fl. 52
GIST-BROC. C	Fl. 30	37	3.30	35	4.80	3	5.10	Fl. 32.40
GIST-BROC. P	Fl. 27.50	-	-	-	-	165	1.30	Fl. 32.40
HEINEKEN C	Fl. 140	10	1	5	3	-	-	Fl. 128
HEINEKEN P	Fl. 120	3	2.30	15	5	-	-	Fl. 128
HOOGOVENS C	Fl. 40	40	1.80	44	3.60	21	4.70	Fl. 39.20
HOOGOVENS P	Fl. 40	46	2.70 B	130	4	-	-	Fl. 39.20
KLM C	Fl. 35	458	1.40	310	2.30	4	3.40	Fl. 34.10
KLM P	Fl. 35	55	2.20	265	3.70	11	4.20	Fl. 34.10
KNP C	Fl. 118.20	30	12.40	-	-	-	-	Fl. 128.50
KNP P	Fl. 127.30	14	3.50	2	5.20	-	-	Fl. 128.50
KNP C	Fl. 130	20	3.80	42	8.20	6	10	Fl. 128.50
KNP P	Fl. 130	29	4.80	14	7.20	30	9 B	Fl. 128.50
NEDLLOYD C	Fl. 200	75	26	20	31	-	-	Fl. 224.70
NEDLLOYD P	Fl. 210	75	6.80	15	12	-	-	Fl. 224.70
NAT.NED. C	Fl. 60	88	1	56	2	3	3	Fl. 56.10
NAT.NED. P	Fl. 55	13	1.50	379	3	5	4	Fl. 56.10
PHILIPS C	Fl. 30	86	0.30	19	1.10	305	1.70	Fl. 27.30
PHILIPS P	Fl. 30	12	2.90	5	3.60	351	4.30	Fl. 27.30
ROYAL DUTCH C	Fl. 240	8	1	199	2.60	-	-	Fl. 220.20
ROYAL DUTCH P	Fl. 230	90	11.50 B	-	-	1	16.50 B	Fl. 220.20
UNILEVER C	Fl. 120	66	0.60	10	2.20	2	3.70	Fl. 102.70
UNILEVER P	Fl. 110	10	8	166	10.40	-	-	Fl. 102.70

TOTAL VOLUME IN CONTRACTS : 13,235

A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

	%		%		%
ABN Bank	7½	Citibank NA	7½	Nat Bk. of Kuwait	7½
Adam & Company	7½	City Merchants Bank	7½	NatWestminster	7½
AAB - Allied Arab Bk	7½	Clydesdale Bank	7½	Northern Bank Ltd	7½
Allied Irish Bank	7½	Comm. Bk. N. East	7½	Norwich Gen. Trust	7½
Henry Ansbacher	7½	Co-operative Bank	*7½	PK Finans. Intl(UK)	8½
ANZ Banking Group	7½	Cyprus Popular Bk	8	Provincial Bank PLC	9
Associates Cap Corp	10	Dunbar Bank PLC	7½	R. Raphael & Sons	7½
Authority Bank	7½	Duncan Lawrie	7½	Roxburghe G'rantee	9½
B & C Merchant Bank	7½	Equatorial Bank plc	7½	Royal Bk of Scotland	7½
Banco de Bilbao	7½	Exeter Trust Ltd	8	Royal Trust Bank	7½
Bank Hapoalim	7½	Financial & Gen. Sec.	8	Smith & Williamson Secs.	7½
Bank Leumi (UK)	7½	First National Bank Plc	9	Standard Chartered	7½
Bank Credit & Comm	7½	● Robert Fleming & Co.	7½	TSB	7½
Bank of Cyprus	7½	Robert Fraser & Ptnrs.	8½	UDT Mortgage Exp	‡9.4
Bank of Ireland	7½	Girobank	8	United Bk of Kuwait	7½
Bank of India	7½	Grindlays Bank	7½	United Mizrahi Bank	7½
Bank of Scotland	7½	● Guinness Mahon	7½	Unity Trust Bank Plc	7½
Banque Belge Ltd	7½	HFC Bank PLC	7½	Western Trust	7½
Barclays Bank	7½	● Hambros Bank	7½	Westpac Bank Corp.	7½
Benchmark Bank PLC	7½	Heritable & Gen Inv Bk	7½	Whiteaway Laidlaw	8
Berliner Bank AG	7½	● Hill Samuel	§7½	Yorkshire Bank	7½
Brit Bk of Mid East	7½	C. Hoare & Co.	7½		
● Brown Shipley	7½	Hongkong & Shangh	7½		
Business Mtge Tst	8	Lloyds Bank	7½		
CL Bank Nederland	7½	Meghraj Bank Ltd	7½		
Central Capital	7½	Midland Bank	7½		
● Charterhouse Bank	7½	Mount Bnkg Corp.	7½		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 2.50% Savewise 5.16%. Top Tier-£2,500+ at 3 months' notice 7.50%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.125% - 9.5%

JOTTER PAD

FT CROSSWORD No.6,641

SET BY DINMUTZ

ACROSS

1 Branded, princess is to retire and paint (5-6)
7 Reckoning I am Latin (3)
9 Points of view of parties (5)
10 Poor paper said to leave no trace (9)
11 Oz water for campers going by air? (9)
12 Wise man of Lytham (5)
13 Could be Monday's energetic sorts (7)
15 Verily! Right for a time (4)
18 Check the stock (4)
20 Profit – thanks to two books of account (7)
23 Right to hunt and drive away (5)
24 Laconic wit impairs Henry in Romney, for example (4-5)
26 Market having dropped a point, a win is unlikely for Clemens (4,5)
27 Sitting in church (5)
28 Watch out for the water-sprite! (3)
29 Early man wandering near the land (11)

DOWN

1 Officious type occupied with figure (8)
2 Reminiscent of allowance in Split (8)
3 Piece of the allegretto Scarpia sings in the opera (5)
4 Rodin so excited in a building (7)
5 Somehow one's happy to get a bunch of flowers (7)
6 Means to raise fruit first to get cider-brandy (5-4)
7 Believing in the gnome? (6)
8 Aintree favourite overthrown? That's unpleasant! (6)
14 The atom split, England's first pair look decrepit (4-5)
16 In French channel, dig in (8)
17 Lad hopes fitfully for Lily (8)
19 Material for lashes applied with rod (7)
20 Claude, we hear, is equipped like an eagle (7)
21 Sharpness of chaps after a copper (6)
22 Spring devices, say, for metal mould (6)
25 Niggard is in the water off Calais (5)

Solution to Puzzle No.6,640

SHAMROCK LEAVES
O U U H L E I
DETACHED PENNON
D H H M S V U I
ELOPE INCREASES
N R S U N T
REVOLT MISSILE
S S R E N R
HOSTILE BESIDE
A G V U I T
MERRIMENT CACHE
B O N R C O A N
LETHAL SHERATON
E O T E P E E
SORTED CRUSADER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Britain (UK)	206.5	220.9	-0.5	2.83
Columbus (US)	121.5	129.8	+0.8	1.47
Marco Polo (Pac)	219.8	235.1	-0.1	0.20
Da Vinci (Eur)	221.8	237.3	+2.4	1.95
Drake (Wd)	52.6	56.3	+0.1	2.99

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	206.0	219.2	-0.7	2.55
UK Smlr Cos Eqty	213.9	227.6	-0.3	2.06
UK Spec Sits	62.6	66.7	-0.3	2.85
Income Plus	53.2	56.6	-0.1	5.57
European	158.3	168.5	+1.2	1.33
Far Eastern	56.3	59.9	+1.1	1.82
Japanese	56.3	59.8	-0.2	-
North American	105.1	111.9	+0.4	1.37
Intl Growth	106.7	113.6	+0.5	1.04
Worldwide Venture	52.6	56.0	-	3.50

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh EH2 2YA 031-556 2341

Equity Growth Acc	17.38	18.60	-0.02	2.99
Equity Growth Inc	17.21	18.42	-0.02	2.99
Intl Growth Acc	16.75	17.93	-0.07	1.66
Intl Growth Inc	16.66	17.83	+0.08	1.65
Global Income Acc	18.66	19.97	+0.06	5.34
Global Income Inc	18.66	19.97	+0.06	5.34
Market Leaders Acc	16.45	17.61	-0.10	3.63
Market Leaders Inc	16.23	17.37	-0.10	3.63

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	83.9	89.1	----	0.06
Income	52.4	55.4xd	-0.1	4.43
European (z)	33.7	35.8	+0.4	1.37
Nth American (z)	26.1	27.8	+0.1	0.85
Intl Growth	435.0	462.7xd	----	1.25
Smth & Recovery	47.9	50.8	----	2.40

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-655 3724

Peg Equity Acc	327.3	337.7	-1.4	3.62
Peg Equity Inc	263.1	280.0	-1.2	3.62
Peg High Inc Acc	160.2	170.5	-0.7	4.58
Peg High Inc	148.0	157.5	-0.7	4.58
Peg Europe Acc	119.9	127.6	+2.8	1.67
Peg Europe Inc	118.7	127.3	+2.8	1.67
Peg Nth Amer	80.2	85.4	+0.2	1.84
Peg Nth Amer Inc	78.1	83.1	+0.2	1.84

Vanguard Trust Managers Ltd —Contd.

American & Gen	52.5	55.8	+0.3	2.02
(Accum Units)	53.9	57.3	+0.2	2.02
Growth	216.1	229.9	+1.7	2.33
(Accum Units)	326.0	346.8	+2.5	2.33
High Yield	271.7	291.2	+1.7	4.42
(Accum Units)	293.6	312.3	+1.9	4.42
Special Sits	53.9	57.5	+0.3	2.24
(Accum Units)	55.6	59.1	+0.3	2.24
Trustee	162.5	172.9	+2.0	4.09
(Accum Units)	263.8	280.6	+3.2	4.09
European Inc	35.8	38.1	+0.5	0.58
(Accum Units)	36.0	38.3	+0.6	0.58

Wardley Unit Trust Managers Ltd (a)
92, Bishopsgate, London, EC2P 2LA 01-374 0861

American	48.7	52.8	+0.1	1.6
Intl Growth	62.9	67.2	+0.2	0.4
Income	113.5	121.4xd	-	5.4
Japan Growth	182.5	195.2	-0.5	0.1
Pacific Perf	116.1	124.2	+0.4	0.4
Small Co's	140.6	150.4	-	1.5
Technology	31.9	34.0xd	-	0.1
Australia	51.6	55.2	+0.7	1.2
UK Trust	154.8	165.5xd	-0.3	2.8
European Growth	40.6	43.4	+0.2	0.3
Hong Kong	25.8	27.6	+0.1	1.3
Intl Income	19.7	21.1	+0.1	2.9
S'pore & Malysn Gth	18.7	20.0xd	+0.4	1.0
British Winners	24.9	26.7	-	4.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.2	21.4	+0.5	0.00
Pacific Basin	22.6	24.0	+0.1	0.1
Can Balncd Gwth	42.4	45.1	+0.3	0.1
[illegible]	98.2	102.3	+0.1	0.6
Penny Share	26.8	28.5	-0.1	0.5

Wellington Fund Mngrs Ltd
2, London Bridge, SE1 01-407 4404

Wellington Income	106.7	113.6	+0.6	4.79
Wellington Growth	165.4	176.0	+1.5	1.37

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	93.4	97.4	-0.7	-

Whittingdale Unit Trust Management Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds

Wealth Assec.	377.2	397 1	----	-
Eb'r Ph. Eq.	324.1	344 8	----	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	166.0	174.7	-0 7	-
International Acc.	125.9	132.5	+0 1	-
Property Acc.	133.0	140 0	----	-
Fixed Interest Acc.	156 4	164 6	-0.1	-
Money Acc.	139 6	146.9	----	-
Bldg Soc. Unit Acc.	136.6	143.9	+0 1	-
Special Mnged Acc. 0	147.6	155.3	+0 2	-
Phoenix/Framlington				
Intn'l. Growth Acc.	84.1	88.5	+0 7	-
Amer. & Gen Acc.	77 1	81.1	+0 8	-
Capital Tst. Acc	169.2	178.1	+0.9	-
Japan & Gen Acc.	187.3	197 1	+1.8	-
American Turn. Acc.	82.3	86 6	+1.1	-
Recovery Tst. Acc.	167.8	176 6	+1.3	-
Special Mngd Acc.	141.8	149 2	+0 9	-
Phoenix/IGT				
International Acc.	123.5	129 9	+0 8	-
US & General Acc.	80.9	85.1	+0.9	-
Amer Spec Sits Acc.	63 2	66 5	+0.7	-
Japan & General Acc.	191.3	201.3	+0 8	-
Far East & Gen Acc.	143 7	151 2	+0.9	-
UK Capital Acc.	170.4	179 3	+0 7	-
European Acc.	130.0	136.8	-0.4	-
Special Mngd. Acc.	123 9	130.4	+0.7	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	261.4	275.2	----	-
Man Pens Inc & Cap Fds.	332.0	349.5	----	-
Money Fund	112.5	118.5	----	-
Pens. Mngd Fd (Unit)	83 1	87.5	----	-
Pens Mngd Fd (Acc)	94 6	99 60	----	-
Pens FT30 Fd (Unit)	125 4	132 0	----	-
Pens FT30 Fd (Acc)	142 9	150.5	----	-
Pens O'seas MgFd(Unit)	56 5	59 5	----	-
Pens O'seas MgFd(Acc)	64 4	67 8	----	-
Pens Fxd Int Fd (Unit)	107.2	112 9	----	-
Pens Fxd Int Fd (Acc)	122.2	128.7	----	-
Pens Deposit Fd (Unit)	101.3	106 7	----	-
Pens Deposit Fd (Acc)	115.5	121.6	----	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	80.0	85 0	+2.0	-
Building Soc. Fd.	161.0	170 0	----	-
Balanced	237.0	250.0	+1.0	-
Deposit	160.0	169 0	----	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund

Managed May 18	196.8	207 1	+0.3	-

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	422.5	444.8	-0.2	-
Equity Fd.	843.3	887.7	-0.7	-
Intnl Fd	289 4	304 7	+0.5	-
Fixed Int. Fd.	368 2	387.5	-0 1	-
Prop Fd	324.7	341 8	+0 1	-
Cash Fd.	236.5	249 0	-0 6	-
Pacific Basin Fd	170.3	179 3	+0.2	-
North American Fd	115 0	121 1	+0.1	-
European Fd.	119.7	126 0	+1.4	-
Holborn Balanced Gwth Fd.	99 4	104 7	-0.1	-
Holborn Strategic Gwth Fd.	98 6	103.8	-0 1	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	463.3	487.7	-0.5	-
Equity	657 7	692.4	-2.0	-
Global Equity	186 9	196 8	+0.5	-
Fixed Interest	381.6	401.7	-0.1	-
Property	318 2	335 0	----	-
Cash	140.2	147 6	----	-
Index Linked Gilt	167 2	176.0	+0.2	-
Guaranteed	7 92			-
International Money	183 0	192.7	-0.3	-
North American Fd	50 5	53 2		-
Japanese Fund	121 8	128.3	-0.5	-
European Fund	63 0	66.4	+0 7	-
Special Situations Fd	93.8	98 8	-0 4	-
Communications Fund	81 1	85.4	-0.3	-
Smaller Cos Fund	96.2	101.3	----	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry May 25	£123 73	127.26	+0 09	-
Equity Fund May 25	£134.11	138 18	+0.18	-
Intnl Fund May 25	£19 33	19 95	-0.26	-
Intl Bond Fd May 25	£10.02	10.16	-0.04	-
Fixed Int May 25	£68 63	69.52	+0 22	-
Index Linked May 25	£53 00	53 66	+0.51	-
Property Fund May 25	£86.51	91.23	+0 65	-
Cash Fund May 25	£18.6179	18.6179	+0.0255	-
Pre-Linked Retirement Plan				
Managed Fd May 25	310.9	323 9	----	-
Cash Fund May 25	175 9	183.3	----	-

Prudential Pensions Investment Account

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	98	Transport 3pc '78-88	99xd	+	3.01	6.30
100	99	Treas. 9½pc '88	100	-	9.44	7.77
102	101	Treas 11½pc 1989	102	......	11.24	8.10
101	99	Treas 9½pc Cnv 1989	101	......	9.40	8.22
97	95	Treas 3pc 1989	97	-	3.08	5.83
102	100	Treas 10½pc 1989	102xd	+	10.29	8.42
102	100	Exch. 10pc 1989	101	-	9.84	8.51
103	101	Exch 11pc 1989	103	-	10.68	8.56
97	95	Treas 5pc 1986-89	97	......	5.14	7.09
104	101	Exch 10½pcCn '89	103	+	9.95	7.99
107½	105	Treas 13pc 1990‡‡	106	-	12.21	8.64
104	102	Exch 11pc 1990‡‡	103½	-	10.62	8.68
107	105	Exch 12½pc 1990	106	-	11.77	8.71
93	91	Treas. 3pc 1990	93	-	3.22	6.76
99	98	Treas 8¼pc 1987-90‡‡	99xd	-	8.26	8.32
102	98	Treas. 8pc Cv 1990 ‡‡	100	-	7.97	7.80
103	100	Treas 10pcCv 1990	102	-	9.74	8.76
91	88	Exch 2½pc 1990	90	-	2.76	6.64
107	105	Treas 11¾pc 1991	106	-	11.02	8.84
95	92	Funding 5¾pc '87-91‡‡	94	-	6.09	7.96
90	87	Treas. 3pc 1991	89	-	3.35	6.93
105	101	Treas 10pc Cv '91 ‡‡	103	-	9.62	8.52
107	104	Exch. 11pc 1991	106	-	10.35	8.81
98	95	Treas. 8pc 1991	97	-	8.20	8.79
113	109	Treas 12¾pc 1992‡‡	111	-	11.41	8.90
104	101	Treas 10pc 1992	103	-	9.67	8.88
98	94	Treas. 8pc 1992 ‡‡	97	-	8.22	8.83
106	102	Treas 10½pc Cv 1992‡‡	105	-	9.99	8.92
86	83	Treas. 3pc 1992	85xd	-	3.49	7.08
112	108	Exch. 12¼pc '92	111	-	11.03	9.05
117	113	Exch 13½pc 1992	115½	-	11.70	9.08
40	40	Treas. 8¼pc 1993 (40)●	40	+	8.49	8.99
105	100	Treas 10pc 1993‡‡	103	-	9.64	9.01

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	...	3.50	f7.78
45	33	Do. 6pc 28 Stb. Ass	45	...	3	f6.67
45	33	Do 4pc Mixed Ass.	45xd	...	2	f4.44
75	63	Hung '24 Ass.	65	...	2.75	f4.37
140	128	Hydro Quebec 15pc 2011	137	-½	15.00	10.64
128	118	Iceland 14½pc Ln 2016	124	-¼	14.50	11.52
101¼	96½	Ireland 9¾pc '91-96	100¼	...	9.75	9.60

AMERICANS

1988 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
29	22	Abbott Laboratories‡	23	+	$1.20	-	2.8
649p	430p	♦Allegheny & W 1c	430p	-12	30c	-	3.8
11	862p	Amax $1	10xd	+	020c	-	-
24	16	Amdahl 5c	24	+	20c	-	0.5
30	22	Amer. Cyanamid $5	24	.	$1.05	-	2.3
15½	11	Amer. Express 60c	12	+	76c	-	3.2
967p	668p	Amer. Medical Int. $1	913p	+18	72c	-	4.3
17	13	American T & T $1	14	-	$1.20	-	4.7
54	44	Ameritech $1	47	....	$5.40	-	-
36	16½	Amfac‡	25½	-½		-	-
18	15	Anheuser-Busch $1	16½xd	......	60c	-	2.0
15	14	Apple Bank	14			-	-
612p	360p	BankAmerica $1	550p	+8		-	-
20	16	Bankers N.Y. $10	17	+	$1.86	-	5.7
41	34	Bell Atlantic $1	37	+	$4.08	-	6.0
23	19	BellSouth Corp.	21	...	$2.36	-	6.1
12½	850p	♦Bethlehem Steel $8	10	+		-	-
11	801p	Bio-Rad Labs. Inc. "A"	10	+		-	-
23	15	Bowater Inc	16xd	....	92c	-	3.1
15	11	Browning-Ferris 16.6c	13	....	48c	-	2.2
12	787p	Brunswick 75c	11	+	36c	-	1.7

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
183	150	Anglia TV	172	–5	5.8	3.1	4.5	9.4
93	73	Avesco 1p	83	—	0.5	6.7	0.8	23.5
49	34	BCE Hldgs 5p	35	—	1.0	2.7	3.8	13.0
265	175	Barr & W.A.T. 'A'	258	—	11.0	1.6	5.7	13.2
26	13	Band Media	25	+1	—	—	—	—
242	170	Boosey & Hawkes	215	–5	3.0	♦	—	♦
49	30	Border T.V.	32	+1	1.4	2.4	5.8	9.3
395	255	Brent Walker 10p	371	—	8.0	3.1	2.9	12.3
115	93	Do 6pc.Cv.Cm.Rd.Pf	114	+1	6.0	—	7.0	—
319	202	Campari Int. 20p	306	+2	6.5	4.4	2.8	8.6
227	165	Cable Comms. 5p	223	–2	7.0	2.0	4.3	15.6
260	161	Capital Radio 10p	259	.....	6.0	2.7	3.1	15.8
568	447	Central TV	539	–4	22.0	♦	5.4	♦
146	115	Chrysalis	126	+1	7.0	1.9	7.4	9.3
74	43	Cityvision 5p	66	–1	0.5	3.7	1.0	27.1
73	49	Elecdomy	55	.....	Q4.6%	0.9	10.3	17.1
30	14	Entertain Prod 5p	27½	—	—	—	—	—
425	290	Fairline Boats 10p	400	—	19.0	4.7	3.0	9.5
152	120	First Leisure	143	–1	2.34	3.2	2.2	19.0
400	325	GWR Group 20p	395	—	—	—	—	15.5
50	42	Grampian TVA 10p	47	—	2.5	♦	7.1	♦
40	26	Greenwich Comm.	35	—	—	—	—	—
261	215	HTV Opd	218	–1	9.8	3.8	6.0	5.9
111½	45	Hanimex A$0.25	111½	+4	mQ6c	—	2.3	—
60	49	Juliana's Hldgs 2p	54	–1	2.85	1.4	7.0	11.8
41	32	Kunick 10p	38	–½	1.0	2.4	3.5	15.1
177	122	LWT 5p	156	–3	5.7	2.9	5.1	9.1
362	183	Landleisure 10p	362	+8	m0.7	0.3	0.3	—
96	68	Leisure Inv 10p	96	.....	g1.45	2.2	2.0	32.5
115	67	Leisuretime Int. 10p	95	+2	—	—	—	—
307	235	Marina Dev. 50p	258	+3	♦	—	—	—
217	175	Mecca Leisure 10p	204	—	3.65	3.4	2.4	17.4
106	35	Mediamaster 10p	98	–2	2.57	2.5	3.5	15.0
374	315	Midsummer Leis.	374	+5	4.0	3.1	1.4	25.0
295	200	Miss World 10p	273	—	8.0	2.6	3.9	13.3
42	32	Molinare Vision 50p	39	—	—	—	—	♦
20	11	Nimslo Int 20c	20	+2	—	—	—	—
22	17	Norcorp Inv. NZ$0.5	21	—	Q2c	6.0	3.3	5.0
159	87	Orient Ex Hds $0.125	121	+7	—	—	—	—
95	76	Owners Abroad 3p	89	–2	2.1	1.9	3.1	22.6
293	228	Pavilion Leisure 10p	228	—	—	—	—	—
118	55	P'dilly Radio NV 5p	105	–3	2.25	2.0	2.9	23.1
253	175	Pickwick	232	+1	2.6	2.9	1.5	30.4
192	160	Pleasurama 5p	177	+2	6.0	♦	4.5	♦
177	147	Do. 7pcCvCnRedPf.	168	+1	7%	—	5.8	—
150	114	Prestwick	136	–1	1.0	8.7	1.0	15.6
100	78	Prism Leisure 10p	98	—	4.26	2.2	6.7	8.8

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £960 per annum for each security.

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
May 9	May 19	May 20	May 31
May 23	Jun 2	Jun 3	Jun 13
Jun 6	Jun 16	Jun 17	Jun 27

*New time dealings may take place from 9.00 am two business days earlier.

Food shares ablaze with activity as market awaits Nestlé move in Rowntree bid

THE LATEST DEVELOPMENTS in the Rowntree bid situation dominatedthe London stock market yesterday as interest in the major international equities slackened ahead of publication today of the UK trade figures for April. Bonds eased cautiously after the announcement of the revised US Gross National Product figures but saw little selling presssure.

The equity arbitrage specialists were kept busy coping with US interest in Rowntree and Cadbury as well as domestic involvement in the record $14.5bn bid for Texaco in the US.

The food share traders came near to melt down as speculative pressures continued to run through the sector. In addition to the mounting excitement in Rowntree, Cadbury Schweppes traded heavily (7.2m shares) as General Cinema stirred the pot by saying that after amending its credit agreements, it could spend up to $1bn on Cadbury shares.

Jacobs Suchard's bid of 950p or £2.31bn for Rowntree sent shares in the UK chocolate firm racing up by 29 to 1029p as the market waited for Nestlé to raise its 890p a share terms, or for a new bidder to take a hand in what could prove to be the multinational contest of the decade. After dipping initially to 1019p, the shares turned sharply upwards towards the close. Since 45 per cent of Rowntree shares are now held by the bid rivals, turnover remained relatively restrained at 2.5m.

With the shares now well above both existing bids, speculators were guessing what price Nestlé is prepared to pay for Rowntree. Optimists, which include at least one of the major US houses, look for £11 a share, but some US arbitrageurs, believing the figure may be closer to £10, were switching into Cadbury yesterday.

However, the optimists were encouraged by suggestions that Allied Lyons might be about to join the fray – although an alternative scenario was that Allied themselves might be in the bid frame. Rumours that Hanson, or even Unilever, might enter the fight were not taken too seriously.

Cadbury Schweppes opened a shade easier but quickly rallied to close firmly at 377p, a net gain of 5p. The City doubts that Cadbury can long survive independently if Rowntree is taken over. But the huge turnover of 21.6m shares this week reflects heavy buying by bid arbitrageurs, who believe that yesterday's statement from General Cinema was another attempt to force Cadbury to find a defensive partner, if not a fully fledged "white knight".

The rest of the market remained very thin, with the Seaq turnover of 441.6m shares again boosted by the speculative sector.

The FT-SE 100 index closed 2.6 down at 1785.3 after spending virtually the entire session on the downside.

There was support for Reed International on its plan to sell the last of its paper manufacturing businesses. Hoare Govett, although a buyer of Reed, warned that the move may mean lower earnings in '89.

The Gilts sector, braced for news today of a deficit of around £400m on UK current trade account in April, traded quietly, shading off with the key US Treasury bond towards the close, to end with net losses of 1/16 in the long dates and ¼ in mediums. The newly-sold Treasury '93 stock traded at a small premium. Traders commented that books were being held square ahead of this week's extended weekend break in London.

Index-linked issues held firm although the 2020 tap stock at 95⅝ remained below its anticipated selling level of around 96⅛.

Allied-Lyons continued its excellent run and was a strong market all day, closing up 15 at 440p on volume of 4.4m. Marketmakers were encouraged by news that Bond Corporation is selling its property portfolio in Hong Kong and believe Alan Bond will soon announce an increase in his 7 per cent stake in Allied prior to a full bid.

Mr Tony Pratt of Allied said:"We have not heard from Mr Bond today, but he will have to notify us if his stake goes to 8 per cent." Asked about a possible Allied bid for Rowntree, he added:"We simply don't comment on such matters."

Plessey's record fourth quarter results, giving full-year pre-tax profits of of £172.1m, against last time's £184.2m, were right in the middle of the market range of forecasts and failed to generate any major excitement in the shares.

Plessey moved up to 162p early on but subsequently dipped away to close a net 1½ off at 158½p with turnover coming out at 6.6m.

Hazlewood Food shares were marked up to 236p before slipping off and closing a net 3 higher at 230p after the group announced preliminary profits of £33.82m, up around 82 per cent on last time, well above market expectations.

But the figures were were accompanied by an unexpected statement regarding Northern Foods where Hazlewood holds a 3.2 per cent stake accumulated in recent weeks. Hazlewood said it would not bid for Northern "under present circumstances as price expectations in the food sector have been inflated by the Rowntree bids."

Northern shares immediately slumped from 296p to 276p on the news before staging a strong rally and closing a net 8 off at 284p amid stories that another possible bidder for the group could emerge.

Glaxo was sold lower again as the market realised that the company itself had encouraged City analysts to trim their profit forecasts. At 892p, the shares fell a further 19, making a loss of 31 over the past two trading sessions.

While the market was aware that increased marketing costs are putting pressure on trading margins in the Japanese and German associates, it was disturbed to hear that currency factors are now biting hard. However, Dr Arnab Banerji of Nomura Securities commented that Glaxo will benefit very quickly from any downward turn in the pound.

Amstrad, the Alan Sugar-run electronics group were heavily traded – 5.5m moved through the SEAQ system – with dealers reporting strong demand for the stock as the computer exhibition at Alexandra Palace got underway.

There was also talk of a stock shortage which helped boost the shares 6 to 188p.

Life assurances included an outstanding performer in Abbey Life where the shares jumped to 299p before closing a net 7 higher at 294p on turnover of 2.7m; dealers said the sharp improvement was a result of persistent bear covering late in the session. Prudential, ex the five-for-one scrip issue, were a shade off at 154½p on a turnover of 4m.

Willis Faber, strongly supported on Wednesday, retreated 9 to 245p after the annual meeting. Sedgwick, on the other hand, moved up 4 to 235p on turnover of 2.8m ahead of today's first quarter figures.

Brewers were lifted by the speculation surrounding Allied-Lyons, with the regionals Greenall rising 8 to 219p and Boddington putting on 2 to 148p. Invergordon rose 14 to 239p in a thin market on the back of speculative buying.

Young & Co's profits of £3.59m (£3.56m) disappointed the market and the shares lost 10 to 410p. Irish Distillers opened strongly with profits up 37 per cent, but sentiment soured later on and the shares closed down 6 at 232p.

The International stocks passed a quiet trading session with prices closing a shade easier on the day after fluctuating within fairly narrow limits. Despite a favourable response to the interim figures, interest tended to fade in Hanson which losed a shade easier on the day at 130½p with volume of 4.5m around half the previous day's level. Beecham closed a shade lower at 460p; the company announced yesterday that it had signed a specialist licensing agreement for its penicillins to be made in the first pharmaceuticals factory in Saudi Arabia.

Wellcome met with an initial bout of profit taking and reacted to 521p before staging a rally to close 8 off on balance at 525p. Smith and Nephew a dull market since announcing preliminary results and more recently first quarter figures, staged a good revival, rising 4 to 117½p in a volume of some 6.8m shares.

The Engineering sector provided several outstanding movemts. Castings responded to the good preliminary figures with a jump of 17 to 164p, but disappointing annual results prompted a sharp reaction of 10 to 103p in Whessoe. Vickers met with investment support and put on 6 to 163p, while Rolls-Royce continued to trade actively (6.2m) in the wake of the big American order for engines before settling a shade easier at 123p.

Revived bid speculation saw Christies International advance to 553p before closing only 6 to the good at 548p. Associated British Ports, still reflecting its property interests, met with further demand and put on 12 more to 563p.

There was no decisive trend in the stores but a handful of features emerged after arather dreary session. Dixons, helped by the latest strong showing by Amstrad jumped 4 to 180p.

Ward White, however, dropped 4 to 293p with the market said to be anticipating an increased offer for DIY group AG Stanley; the latter rose 4 to 284p.

Elsewhere, Empire Stores jumped 11 to 239p on vague takeover talk but profit-taking emerged in Body Shop which retreated from an initial 618p to close unchanged on the day at 610p.

Amstrad and Plessey apart, turnover in the rest of the electronics sector was well down on recent levels. GEC, where 4.4m were traded, slipped 1½ to 145p, still unsettled by the recently published defence spending white paper. Ferranti were also easier at 79p after turnover of 1.6m.

Racal, where Hoare Govett have won the brokership to the Racal Telecommunications flotation, held at 311p on turnover of 1.7m.

British Telecom were 1½ off at 238½p on turnover of 2.9 with traders reporting growing interest in the stock as the preliminary results, scheduled for June 9, draw nearer. Cable & Wireless fell 3 more to 346p, still unsettled by the postponement of the sale of the 5.5 per cent stake in Hong Kong Telecommunications.

Bid speculation continued to swirl around a food sector regarded by traders as "up for grabs"

Rank Hovis MacDougall surged higher late in the day to close 11 firmer at 359p with the market full of rumours that the 29.9 per cent stake held by Australian group Goodman Fielder has been passed on to a predator.

Unigate jumped 6 to 316p on talk that a stake-building operation is in progress. In the second-liners the inevitable bid rumours re-surfaced in Freshbake which gained 4 to 122p.

Redland held centre stage in the Building sector, rising strongly in reponse to the announcement of preliminary figures up from £130.7m to £185m which were not far off the market's best estimates.

The subsequent meeting with analysts proved to be bullish and the Redland share price moved up 16 to 406p in active trading. Some 4.4m shares changed hands.

Turriff were also noteworthy for a rise of 11 at 339p; at the annual meeting the company announced a one-for-five scrip issue and forecast a maintained dividend on the enlarged capital.

After persistent speculation Reed International finally announced the sale of its European and American paper and packaging operations, partly via a management buy-out and the shares responded by putting on 8 to 423p on volume of 6.6m. Marketmakers said the stock was well supported, but were sceptical about the rumour that the sale could raise £800m for Reed. One analyst commented that a "figure around $600m will be nearer the mark"

Maxwell Communications had a good day with strong buying from several quarters. The shares rose 10 to 325p after the announcement that the company is to be listed in Toronto and more action is expected today. Elsewhere, Bunzl put on 3 to 142p, while Jefferson Smurfit marked time, losing 3 to 410.

Interest tended to fade in the Property sector with quotations inclined easier for choice after the recent strong run. Howver, Speyhawk, still responding to the bumper figures, featured a jump of 17 at 391p.

Overseas traders had a busy day, buoyed up by increased commodity prices. Harrisons & Crosfield jumped 23 to 608p and Inchcape rose 14 to 756p. Lonrho was subdued by Press comment and dropped 1¾ to 227½p, but Polly Peck was steady, touching 330p before fading to close at 315p, a gain of 3 on the day.

Volumes in the Traded Options market were much reduced with calls of 16,849 and puts of 6,417 giving a total of 23,266 contracts. Cadbury-Schweppes showed 1,945 calls and 108 puts mirroring the current takeover speculation while Rolls-Royce, boosted by the £1 bn US contract, attracted 1,488 calls and 458 puts.

FINANCIAL TIMES STOCK INDICES

	May 26	May 25	May 24	May 23	May 20	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	90.07	90.28	90.30	90.20	90.12	92.02	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.67	98.67	98.55	98.39	98.38	97.87	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1430.4	1430.7	1428.3	1407.6	1415.2	1678.2	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	216.0	216.9	218.4	211.2	203.1	390.5	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.64	4.63	4.60	4.66	4.63	3.44				
Earnings Yld. %(full)	11.92	11.92	11.93	12.09	12.01	8.26				
P/E Ratio (net)(*)	10.27	10.28	10.26	10.13	10.20	14.89				
SEAQ Bargains (5pm)	21,326	25,127	21,189	19,685	29,713	39,986				
Equity Turnover (£m)	-	1271.10	1057.05	735.79	1276.24	1315.17				
Equity Bargains	-	27,750	24,706	23,065	30,862	47,174				
Shares Traded (ml)	-	488.2	440.1	317.7	455.1	508.2				

S.E. ACTIVITY

Indices	May 25	May 24
Gilt Edged Bargains	107.5	116.2
Equity Bargains	179.8	160.1
Equity Value	2569.2	2136.6
5-Day average		
Gilt Edged Bargains	111.7	116.0
Equity Bargains	170.8	167.4
Equity Value	2255.3	2343.8

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1427.2	1428.5	1430.4	1431.4	1431.2	1430.8	1429.8	1431.9

Day's High 1432.6 Day's low 1427.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.16.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Traditional Options

- First dealings May 16
- Last dealings May 27
- Last declarations Aug 11
- For Settlement Aug 22

For rate indications see end of London Share Service

A fair interest developed in the Traditional option market. Stocks to attract money for the call included Coloroll, Oliver Resources, Consolidated Gold Fields, Cadbury Schweppes, Trusthouse Forte, Dee Corporation, Eagle Trust, British Petroleum partly-paid and Empire Stores. Puts were arranged in Norfolk Capital, Scottish and Newcastle and Trimoco, while double options were transacted in Trusthouse Forte and Explaura.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (89).

BRITISH FUNDS (2) AMERICANS (2) BANKS (3) BREWERS (4) BUILDINGS (4) STORES (7) ELECTRICALS (3) ENGINEERING (4) FOODS (4) INDUSTRIALS (21) INSURANCE (1) LEISURE (5) MOTORS (1) NEWSPAPERS (1) PAPERS (1) PROPERTY (13) SHIPPING (1) TEXTILES (1) TRUSTS (6) OILS (3) OVERSEAS TRADERS (1) MINES (9).

White, Do. Cnv. Rd Prf., ELECTRICALS (3) Appl'd H'graphics, Mitel Corp., FOODS (3) Daniels (S.), Regina Health, Tesco 9pc 2002-07, INDUSTRIALS (6) Alumasc, Assoc. Br. Eng., Elga Group, PCT Group, Tribble Harris, Wills Group, INSURANCE (1) Prudential MOTORS (1) Armstrong Eq., NEWSPAPERS (1) Utd. Newspapers, PAPERS (2) Chapman Inds., Cradley Print, PROPERTY (1) Hanover Druce, SHOES (2) FII Group, Lambert Hth., TRUSTS (1) River Plate Wrnts., OILS (1) Energy Capital MINES (1) Simmer & Jackson.

NEW LOWS (27).

AMERICANS (2) Allegheny & W., Chrysler, CANADIANS (1) Sonora Gold, STORES (2) Ward

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	205	General Accident	155	Prudential	4,100
Allied-Lyons	4,400	General Elect.	4,300	Racal	1,700
Amstrad	5,500	Glaxo	2,400	Rank Org.	410
Argyll Group	1,000	Globe Investment	785	RMC	72
Assoc. Brit. Foods	556	Granada	874	RHM	1,200
BAA	1,300	Grand Met	693	Reckitt & Colman	158
BAT	2,900	GUS "A"	267	Redland	4,400
BET	1,400	Guardian R.E.	32	Reed Intl.	6,400
BICC	1,300	GKN	5,600	Reuters "B"	389
BOC	2,000	Guinness	1,100	RTZ	1,100
BPB Inds	653	Hammerson	81	Rolls-Royce	6,200
BTR	2,500	Hanson	4,500	Rothmans "B"	488
Barclays	447	Hawker Siddeley	417	Rowntree	2,500
Bass	439	Hillsdown Holdings	326	Ryl Bank Scotland	655
Beecham	634	IMI	880	Royal Insurance	237
Blue Arrow	871	ICI	910	STC	913
Blue Circle	279	Inchcape	681	Saatchi & Saatchi	778
Boots	637	Jaguar	1,080	Sainsbury	796
Brit. Airways	3,700	Ladbroke	658	Scott & Newcastle	1,400
Brit. Aerospace	906	Land Securities	882	Sears	2,000
Brit. & Comm.	469	Laporte	213	Shell Transport	821
British Gas	8,000	Legal & General	459	Smith & Nephew	6,800
BP	1,800	Lloyds Bank	1,400	Standard Chartered	1,100
Brit. Telecom	2,900	LASMO	1,100	Storehouse	505
Burmah Oil	369	Lonrho	3,500	Sun Alliance	105
Burton	1,700	Lucas	275	T & N	1,300
Cable & Wireless	1,900	MEPC	34	TSB	362
Cadbury Schweppes	7,200	Marks & Spencer	1,700	Tarmac	720
Coats Viyella	1,500	Maxwell Comm.	4,400	Tesco	373
Commercial Union	1,600	Metal Box	786	THORN EMI	261
Cons. Gold	516	Midland Bank	1,100	Trafalgar House	700
Cookson	830	NatWest Bank	1,000	Trusthouse Forte	1,400
Courtaulds	1,900	Next	4,100	Ultramar	121
Dalgety	571	Northern Foods	4,600	Unilever	3,100

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Thursday May 26 1988

Index No.	Day's Change	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed May 25 Index No.	Tue May 24 Index No.	Mon May 23 Index No.	Year ago (approx) Index No.
[illegible]									

FT-SE 100 SHARE INDEX ♦ 1785.3 -2.6

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

May 26 Total Contracts 23,266 Calls 16,849 Puts 6,417

RISES AND FALLS YESTERDAY

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

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WORLD STOCK MARKETS

AUSTRIA

May 26	Sch	+ or −
Creditanstalt	1,960	+10
Goesser	2,700	−10
Interunfall	10,020	−10
Jungbunzlauer	7,110	—
Laenderbank	358	−2
Perlmooser	646	+1
Steyr-Daimler	79	+1
Veitscher Mag.	600	−3

BELGIUM/LUXEMBOURG

May 26	Frs.	+ or −
B.B.L.	2,650	−5
Banque Gen. Du L.	13,500	—
Bank Int. A	13,000	—
Bekaert B	9,410	—
Ciment CBR	5,440	+40
Cockerill	184	+2
Colruyt	8,600	+40
Delhaize	4,250	+50
EBES	4,175	+15
Fabrique Nat	758	−10
GB Inno BM	1,210	+10
GBL (Brux.L)	2,990	−10
Generale Bank	5,000	—
Gevaert	7,010	—
Hoboken	7,790	−60
Intercom	3,290	+35
Kredietbank	4,145	+5
Pan Holdings	11,800	+100
Petrofina	11,150	+25
Raffinerie Tirle	1,378	−10
Royale Belge	5,400	−200
Soc Gen Belge	4,600	+100
Sofina	12,400	+75
Solvay	12,225	—
Stanwick Intl	80	—
Tractebel	6,350	−110
UCB	8,420	−30
Wagons Lits	5,080	+20

DENMARK

May 26	Kr	+ or −
Baltica Hldgs	480	+6
Carlsberg	1,000	+20
[illegible]	[illegible]	[illegible]

FRANCE

May 26	Frs.	+ or −
Emprunt 4.5% '73	1,472	—
Accor	432	—
Air Liquide	503	−1
Alcatel	1,820	+21
BIC	685	−15
BNP (Cert.Inv.)	299	+13
Bongrain	2,115	+6
Bouygues	972	−15
BSN Gervais	4,328	−12
Carrefour	2,340	+8
Club Mediterranee	417	−5
Cie Bancaire	460	+19
Cie Fin. de Suez	258	−4
Cofimeg	280	—
CSE	258	−1
Dumart	2,389	+114
Darty	398	+2
Dumez S.A.	573	−7
Eaux (Cie Gen)	1,149	—
Elf-Aquitaine	292	—
Essilor	2,378	+28
Gen.Occidentale	694	+21
Havas	564	+4
Imetal	194.5	+5.5
LVMH	2,105	+30
Lafarge Coppee	1,230	+10
L'Oreal	3,153	+4
Legrand	2,670	+10
Maisons Phenix	52	−0
Matra S.A.	264	−3
Michelin B	185	−0
Midi (Cie)	1,475	−75
Moulinex	73	+1
Nord Est	86	+0
Paribas	385	−1
Pernod Ricard	907	−10
Perrier	756	+2
Peugeot S.A.	1,042	−8
Printemps Au	449	+11
Radiotech	871	—
Redoute	2,400	−1
Roussel-Uclaf	819	+9
St.Gobain	448	+9
Sefimeg	405	−2
Skis Rossignol	725	−10
Telemech Elect	3,505 #	—
Thomson (CSF)	181	+2

GERMANY (continued) · ITALY · NETHERLANDS · SWEDEN · SWITZERLAND · NORWAY · SPAIN · SOUTH AFRICA · GERMANY · FINLAND · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

CANADA

TORONTO

2pm Prices May 26

OVER-THE-COUNTER

Nasdaq national market, 2pm Prices May 26

Continued from page 45

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Abbey Life	294	+	7
Allied-Lyons	440	+	15
Amstrad	188	+	6
Camford Eng.	182	+	6
Castings	164	+	17
Empire Stores	290	+	11
Harrisons & Cros.	608	+	23
Inchcape	765	+	14
Maxwell Comms.	225	+	10
RHM	359	+	11
Redland	405	+	16
Reed Intl.	423	+	8
Rowntree	£10¼	+	⅛
Speyhawk	391	+	17
Tarriff Corp.	339	+	11
Wood (A.)	192	+	24

FALLS

Northern Foods	284	−	8
Wellcome	925	−	8
Whessoe	103	−	10
Willis Faber	245	−	9

TOKYO - Most Active Stocks

Thursday, 26 May, 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	79.12m	430	uch
Nippon Kokan	66.78m	420	uch
Kobe Steel	45.46m	367	−2
Mitsui Shipbuilding and Engineering	45.44m	376	+7
Kawasaki Heavy Industries	35.05m	441	+6
Sumitomo Heavy Industries	31.15m	670	−10
Japan Steel Works	26.80m	518	+13
Nachi-Fujikoshi	21.95m	1,090	+100
Fujikura Ltd	20.88m	960	uch
Hazama-Gumi	20.18m	809	+29

INDICES

NEW YORK DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

Closing Prices May 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
25⅝	14	AAR s	.38	1.6	20	89	24¾	24⅝	24¾	+ ⅛
12⅛	6⅝	ACMIn	n1.09e	9.8		430	11⅝	11⅝	11⅝	– ⅛
12⅛	10¾	ACMSc	n1.26	11.		z407	11¼	11	11¼	+ ¼
10¼	10	ACMSp n				1025	10	10	10	
27	10½	AGS			19	5947	25	20⅞	24⅝	+3⅝
7⅞	2⅝	AMCA				110	3	2¾	2⅞	
8⅝	3¼	AM Intl				3421	3⅞	3¾	3¾	
28¾	17	AM Int pf	2	11.		4	18⅝	18⅝	18⅝	+ ⅛
66½	26¾	AMR			10	1491	41¼	40⅝	41	+ ⅛
11⅛	5¼	ARX			10	15	7⅞	7¾	7⅞	
72⅞	40¼	ASA	3	6.8		889	44¼	43¾	44	+ ¼
22⅞	9½	AVX			11	155	15¾	15⅜	15½	+ ⅛
66⅞	40	AbtLab	1.20	2.8	16	4151	45¾	43⅞	45½	+1⅞
28	15⅞	AbitibI g	1			288	16	15¾	15⅞	+ ⅛
16¾	8½	AcmeC	.40	3.7		34	10¾	10⅝	10¾	+ ⅛
10½	6⅝	AcmeE	.32b	4.6	22	1	7	7	7	– ⅛
20	14⅛	AdaEx	3.05e	20		105	15½	15⅜	15⅜	
19¼	6⅞	AdamMl	.24	1.5	13	13	15½	15½	15½	
24⅞	7½	AMD				3203	14½	14¼	14¼	– ⅛
11⅞	4⅝	Adobe			11	77	6¾	6⅝	6¾	
20¼	16¼	Adob pf	1.84	10.		25	18	18	18	
13⅞	6⅛	Advest	.12a	1.9	6	1211	6¾	d 5⅞	6¼	
64¼	39½	AetnLf	2.76	6.6	6	3383	42¼	41¼	42¼	
63½	41	AfilPub	.40b	.8	43	1254	50⅞	49⅞	50	– ⅛
23¾	13	Ahmans	.88	5.8	10	3166	15⅛	14¾	15⅛	+ ⅜
4¾	1⅞	Aileen				131	3⅛	3	3⅛	
53⅞	29	AirPrd	1	2.2	13	1147	44⅞	44⅛	44½	
34⅞	11⅛	AirbFrt	.60	3.4	24	50	17⅞	17⅜	17⅝	

Continued on Page 45

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NYSE COMPOSITE PRICES

Continued from previous Page

AMEX COMPOSITE PRICES

Closing Prices May 26

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OVER-THE-COUNTER

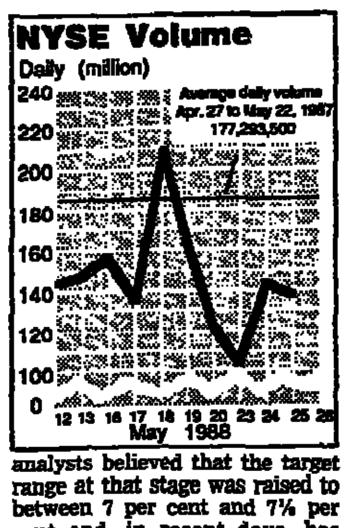
Nasdaq national market, 3pm Prices May 26

Continued on Page 44

FINANCIAL TIMES Friday May 27 1988

AMERICA

Dow takes higher GNP growth figure in its stride



Wall Street

EQUITIES proved more resilient than bonds in the face of news yesterday of a substantial upward revision in first quarter gross national product growth, *writes Janet Bush in New York.*

After an initially positive reaction to the figures in both markets because of an unexpected downward revision in the gross national product (GNP) price deflator, stocks and bonds started drifting lower as focus switched to the very high growth rate in the first quarter.

The stock market rose nearly 12 points during morning trading, helped partly by a surge in Texaco's share price following news late on Wednesday that investor Mr Carl Icahn was prepared to offer $60 a share to buy Texaco after talks aimed at preventing a proxy fight for the company broke down.

At one stage, Texaco's price was up more than $5, accounting for nearly half the morning gain in the Dow. By the close, however, it had eased back to stand $3¼ higher at $50⅛ and the Dow index drifted back from its highs.

The Dow closed only 5.38 points higher at 1,966.75. Volume was substantially higher than the last four trading sessions with just under 165m shares changing hands as institutions and traders reacted to the news that first quarter GNP growth had been revised up to 3.9 per cent from the preliminary 2.3 per cent increase reported last month.

US Treasury bonds fared less well than equities in the wake of the GNP revision, falling by as much as ⅝ point at one stage. Later in the session, losses in longer maturities were almost recouped with the Treasury's benchmark 30-year issue quoted only 1/32 point lower to yield 9.29 per cent. However, shorter-dated issues fell by as much as ⅛ point as speculation about higher interest rates pressured prices.

Although the revision in GNP growth was in line with expectations earlier this week, Tuesday had seen the bond market improve as forecasts drifted back to settle on growth of just over 3 per cent.

The GNP price deflator, a key indicator of inflation, was revised down to 1.7 per cent from 2.4 per cent in the Commerce Department's preliminary release.

Scepticism about the accuracy of the downward revision in the price deflator seemed to emerge, given the signals of higher inflation provided by consumer and producer price figures in the first three months of the year.

In addition, both markets are again focusing on whether the US Federal Reserve is tightening policy. The Fed's money market operations have hinted at a tightening for most of this week.

Fed Funds rose to 7⅛ per cent, the highest they have traded at, apart from in extreme technical situations, since October 19. The Fed did not intervene in the market, however, prompting speculation that it may be targeting its funds at near to 7⅛ per cent.

There has been considerable disagreement on the extent of the Fed's tightening since the unemployment figures on May 6. Some analysts believed that the target range at that stage was raised to between 7 per cent and 7¼ per cent and, in recent days, has been nudged higher to between 7¼ per cent and 7½ per cent. Other analysts believed that the initial tightening was to between 7⅛ per cent and 7¼ per cent.

The key question is whether the bond market will react negatively to any confirmation of a further tightening or take heart at concrete action by the Fed to stave off higher inflation.

Among featured stocks on the equity market were Long Island Lighting Company which rose $1⅛ to $11⅛ after the company said it had reached tentative agreement with New York State which would mean the company would abandon its Shoreham nuclear plant and the state would drop its acquisition proposal.

Media General's Class A shares rose $2⅛ to $40⅞ after Mr Burt Sugarman, the Hollywood producer, lost his proxy fight to elect a slate of directors to represent Class A shareholders.

Canada

FALLING GOLDS and base metal issues led share prices to a slight loss in quiet trading.

The composite index, which had risen about 4 points in earlier trading, fell 3.45 to 3,176.17 as declining stocks outnumbered those showing gains by 399 to 354

EUROPE

Corporate news livens up low-volume bourses

A RASH of corporate news added spice to Europe yesterday, although most bourses ended just slightly higher or lower, *writes Our Markets Staff.*

MILAN was dragged lower in extremely thin volume by investors' concern over the future of Olivetti's link with AT&T of the US. The MIB index fell 2 to 974.

The Government's five-year plan to tackle the public deficit left investors unimpressed and had little effect on the market. One analyst said: "The Government doesn't seem to be able to grasp the nettle on the deficit, so the uncertainty has not been lifted."

Reports that AT&T might not use Olivetti, in which it has a stake of 22 per cent, as its future supplier for personal computers took the Italian office equipment specialist down L120 to L9,380. It continued falling after hours to reach L9,250, off 2.6 per cent.

Insurer Generali lost ground on disappointment over Wednesday's news that it did not intend to go for a blocking minority interest in Cie du Midi of France. Generali fell L140 to L83,850 and after hours hit L82,950.

Supermarket group Standa jumped L310, or 1.9 per cent, to L16,300 on strong demand.

Volume was estimated to be as low as on the previous day at L70bn worth of shares, helping to exaggerate price movements. Few dealers were willing to commit themselves, analysts said.

PARIS saw some profit-taking after the strong gains seen on Wednesday, with news of a ¼ point cut in key interest rates having been largely discounted by the market.

However, the fact that equities ended slightly higher underlined good resistance to the profit-taking, with the Indicateur de Tendance edging up 0.9 to 119.

Cie du Midi, which rose sharply on Wednesday on the suggestion that Generali wanted a blocking minority stake, fell back on the Italian company's denial of the report, losing FFr70, or 4.5 per cent, to L1,480.

Engineering concern Schneider was suspended temporarily after losing a maximum allowable FFr32, or 9.8 per cent, to FFr293 on reports that Framatome's board had voted against buying Schneider's 21.6 per cent stake in Télémécanique. Schneider said it would now continue to fight for control of Télémécanique against Framatome.

Pharmaceuticals issue Sanofi put on FFr24, or 3.6 per cent, to FFr695 after the previous day's news that parent Elf-Aquitaine, unchanged at FFr292, expected good results from its chemicals and pharmaceuticals operations.

FRANKFURT was boosted initially by the slightly firmer dollar but the early rally ran out of steam and share prices dropped.

The dollar was fixed at DM1.7081 against DM1.7023 on Wednesday, cheering the morning market, as did good results from utility group Veba.

Concern that a new federal bond would be taken up only slowly, however, helped pull equities lower, and the FAZ index eased 0.77 to 442.4.

Veba announced an 11 per cent rise in first quarter profits and rose DM1.80 to DM241, while Commerzbank, the country's third largest commercial bank, reported a strong rise in four months' earnings and edged up 50 pfg to DM225.

Farm machinery and engineering company KHD added DM6 to DM108.80 on news that it could return to profitability this year.

Bonds fell back after terms of the new 10-year bond were released – priced at DM99.50, it has a coupon of 6⅛ per cent to yield 6.57 per cent.

ZURICH saw dull and lacklustre trading and closed virtually unchanged with the Crédit Suisse index ending off 0.2 at 436.3.

Chocolate maker Jacobs Suchard added SFr40 to SFr7,490 after launching a bid for Rowntree, which the UK confectioner rejected. Rival bidder Nestlé rose SFr10 to SFr8,010.

AMSTERDAM edged up in tandem with the firmer dollar amid investor concern about the possibility of rises in world interest rates and the effect of the strong Dutch guilder on exports.

The upwards revision of the US gross national product figure, released towards the end of bourse trading, produced little reaction. The ANP-CBS general index put on 0.5 to 242.7.

Insurer Assurantieconcern Stad Rotterdam gained Fl 3 to Fl 123. The company predicted a profits rise of between 5 and 10 per cent this year.

Distiller Bols, which issued a statement declining to comment on a UK newspaper report that it might take a stake in Irish Distillers Group of Dublin, moved up Fl 3 to Fl 120.

STOCKHOLM responded to lower domestic interest rates and optimism in other stock markets with a rise in busy trade.

The Affärsvärlden general index reached its fifth post-crash high in a row, gaining 4.9 to 848.4 as turnover slipped to SKr62m from SKr143m.

MADRID eased as investors stayed on the sidelines, with the general index off just 0.05 at 271.18. Telefónica rose 2.57 points to 174 per cent of par after its good profits news on Wednesday.

BRUSSELS closed mixed amid continued lethargy, with the Brussels stock index up 7.28 4,644.23 on low volume.

Steelmaker Cockerill's stock closed unchanged at BFr184, with about 11,000 shares changing hands.

HELSINKI rose to another record high in active trading with the Unitas all-share index up 5.6 at 693.8.

South Africa

SOUTH AFRICA saw its gold stocks slip in thin trading as the bullion price stayed near the day's lows.

Randfontein lost R5 to R245 and Kloof 50 cents to R31.25.

London

CHOCOLATE maker Rowntree was the focus of attention in London as Swiss confectioner Jacobs Suchard weighed in with a bid. Cadbury Schweppes was also active.

But interest in international stocks fizzled out pending today's release of the April UK trade figures. The FT-SE 100 Index lost 2.6 to 1,785.3.

ASIA

Opening rally loses steam on investor caution

Tokyo

THE WAIT for revised first quarter figures on US gross national product, due after the market closed, sent many investors to the sidelines and share prices closed slightly lower in Tokyo yesterday after a strong opening, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average shot up 198 to the day's high of 27,641.49 shortly after the opening, but then dropped to a low of 27,403.87 and ended 15.41 down at 27,428.24.

Gains and losses were nearly even at 454 to 451, with 164 issues unchanged. Trading was active at 750m shares in the morning, but slowed later to total 1.2bn shares against Wednesday's 1.5bn.

Investors initially stepped up buying, focusing on large capital steels, as fears of inflation in the US subsided amid a slight strengthening of the dollar.

But the fast advance in share prices led to caution and investors held back as they waited for the revised US statistics.

Kawasaki Steel remained the most active stock, but its turnover halved from 158.5m shares to 79m. It finished unchanged at Y430 after rising Y3. Nippon Kokan, which was second with 67m shares traded, also closed unchanged at Y420, while Kobe Steel was Y2 down at Y367 after gaining Y2. Kawasaki Heavy Industries firmed Y6 to Y441.

Demand continued for shares in companies involved in redevelopment projects, although buying was less than on Wednesday. Japan Steel Works rose Y13 to Y518 and Tokyotokeiba, the horse racing track operator, added Y28 to Y995. Sumitomo Heavy Industries meanwhile lost Y10 to Y670.

Investors sought small and medium capital issues reporting good business results. Nachi-Fujikoshi scored a maximum allowable daily increase of Y100 to Y1,090, helped by rumours of strong demand from speculators. Hazama-Gumi added Y29 to Y809 and Fujitec climbed Y101 to Y1,040.

Among other main gainers were Citizen Watch, which finished Y41 higher at Y810, and Noritake, Y70 up at Y1,240.

Buying focused on stocks priced below Y1,000 and analysts said investors were searching for quick profits.

High-tech issues drew little demand, with Toshiba falling Y6 to Y856 and NEC Y30 to Y2,130. Elsewhere, Sumitomo Bank and Nomura Securities shed Y40 to Y3,530 and Y30 to Y3,910 respectively. Tokyo Electric Power declined Y40 to Y6,100.

Bond prices continued to rise. Quick action by the dealing section of one securities house in snapping up Y100bn worth of 6.1 per cent government bonds due soon, led dealers and institutional investors to believe that the market was more bullish than expected.

The yield on the bellwether 5.0 per cent government bond due in December 1997 fell from 4.645 per cent on Wednesday to 4.600 per cent in block trading on the Tokyo Stock Exchange. It slipped temporarily below 4.6 per cent to 4.595 per cent in inter-dealer trading.

On the Osaka Securities Exchange, giant capital stocks lost ground in the afternoon and the OSE stock average ended with a minor gain of 6.41 at 27,383.54. Transactions shrank by 47m shares to 141m.

Rohto Pharmaceutical jumped Y110 to Y1,320 and Kobe Cast Iron Works Y80 to Y920, but profit-taking took Matsumura-Gumi Y30 lower to Y970.

Hong Kong

INSTITUTIONS remained on the sidelines as local investors pursued selected second line stocks in a dull, slow session which saw the Hang Seng index fall 7.51 to 2,520.49.

Turnover was HK$732m, down from Wednesday's HK$780m as uncertainty on Wall Street and a slowdown of the local economy subdued the market.

Bond International shares were suspended at HK$1.56 pending the announcement of the sale of the company's luxury property portfolio, while HK Telecom recouped early losses to close 5 cents down at HK$6.95.

Evergo saw 50m shares, 2.3 per cent of its equity, cross the market in five transactions, but it closed little changed at 42.5 cents, 3 cents better.

Rainbow Orient was due to resume trading today after Polly Peck's offer for 96 per cent of its shares.

ATV rose 4 cents to HK$1.90 after saying it had been approached about selling its wholly-owned Asia Television.

Singapore

RISING commodity prices focused attention on Malaysian speculative issues and plantation-based stocks as prices closed generally higher.

Rubber-related issues were particularly strong and the Straits Times industrial index rose 7.72 to 977.14 in moderate trading.

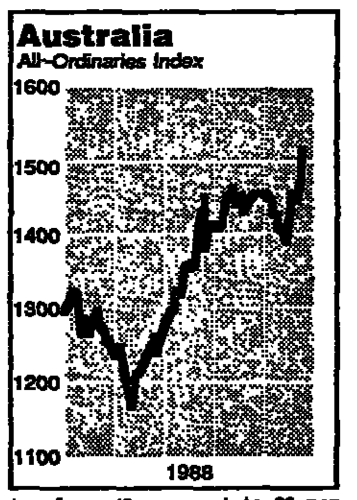
Several Singapore-based blue chips attracted interest and posted modest gains. But institutions were generally cautious. They were unwilling to take new positions in the absence of overseas leads, amid fears of interest rate hikes and inflation in the US and ahead of the local holiday on Monday. Rises led falls by 102 to 41 and turnover swelled to 34m shares from Wednesday's 24.1m.

Sime Darby led the market on turnover of 3.9m shares, rising 13 cents to S$3.12, while Tan Chong Motors gained 1 cent to 57 cents with 3.4m shares traded.

Plantation stock New Serendah rose 15 cents to S$2.15, Riverview was up 14 cents at S$4.14, Harrisons up 12 cents at S$4.02 and Consolidated Plantations climbed 11 cents to S$2.65.

Chris Sherwell on why equities are at a seven-month high

Australian stocks bounce back after mini-budget



AUSTRALIA'S stock markets soared to their highest level for seven months yesterday in a bullish response to Wednesday's mini-budget from Mr Paul Keating, the Federal Treasurer.

The widely-watched All Ordinaries index rose 23.3, pushing through the psychological barrier of 1,500 to finish at 1,513.8, the highest level since October 23, in the week of the global stock markets crash.

The trend was paralleled on the foreign exchange markets, where the Australian dollar rose a full point to 58.3 on a trade weighted basis.

This is the highest it has been since the currency plummeted two years ago, after Mr Keating warned that Australia was in danger of becoming a "banana republic."

Equity gains came on the back of some of the heaviest trading of recent months, with 172m shares worth A$409m changing hands. Analysts said the rally showed no immediate sign of petering out.

The index has now risen 125 points since May 12, when it last dipped below the 1,400 mark. That was the day Mr Keating signalled his tight fiscal stance by slashing funds for Australia's state governments.

Subsequent judicious leaking of his anticipated mini-budget has given more help, and yesterday the markets, far from moving into profit-taking mode, decided that additional gains were to be made.

Several measures were significant for equities:

- The cut in corporate income tax from 49 per cent to 39 per cent, and the concessions removed to offset its cost – such as the end to accelerated depreciation allowances, and the delayed elimination of the gold mining tax exemption.
- Changes in superannuation tax. Mr Keating imposed a 15 per cent capital gains tax on superannuation fund income, taking effect on July 1. Because of the way the tax is calculated – the base is either market value on June 30 or cost price, whichever gives the lower profit or loss – the funds want to see share prices as high as possible at the end of June.
- The encouragement given to superannuation funds to invest in companies offering tax credits on franked, or net, dividends. The decision makes those companies more attractive investment targets.
- Other measures include the crackdown on the use of tax havens by Australian multinational companies and a range of tariff cuts.

The changes were said yesterday to favour shares in companies with a high proportion of domestic earnings, high tax payments, relatively low levels of capital expenditure and little foreign competition.

The most marked price increases came from the Big Three commercial banks. Westpac gained 48 cents, or 7.5 per cent, to A$6.90, ANZ Bank 34 cents to A$4.66 and National Australia Bank 26 cents to A$5.86.

Retailer Coles Myer rose 34 cents to A$9.10, Burns Philp increased 22 cents to A$3.80 and transport groups Brambles and Mayne Nickless – but not the more foreign-oriented TNT – showed strong gains.

Generally, industrial stocks surged. One broking firm forecast an 8 per cent rise in its preferred group of leading industrial stocks.

Resources stocks, on the other hand, barely moved. Gold companies are reckoned to be profitable in spite of their new tax, while commodity prices remain the key to other mining shares.

Western Mining was steady at A$5.70, Renison Goldfields lost 20 cents to A$8.50

At the end of the day, however, the measures are only likely to alter investors' choices at the margin. As one analyst said: "Most people buy a stock because they think it is going to go up." In short, fundamentals still matter.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MAY 26 1988					WEDNESDAY MAY 25 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	136.11	+3.5	108.31	113.52	3.92	131.45	104.61	111.13	136.11	91.16	130.98
Austria (16)	87.89	−0.4	69.94	77.95	2.63	88.23	70.21	78.06	98.18	84.35	86.78
Belgium (63)	120.58	−0.3	95.96	106.46	4.73	120.89	96.20	106.43	139.89	99.14	114.99
Canada (125)	116.01	+0.2	92.32	103.96	3.24	115.76	92.12	104.24	125.49	107.06	125.44
Denmark (39)	127.48	+1.0	101.45	112.91	2.58	126.23	100.45	111.46	127.48	111.42	115.34
Finland (25)	133.20	+0.4	106.00	112.97	1.86	132.66	105.57	112.21	133.73	106.78	–
France (121)	92.23	−0.2	73.40	83.22	3.87	92.38	73.51	83.18	92.38	72.77	113.66
West Germany (99)	74.36	+0.0	59.18	65.98	2.81	74.38	59.20	65.95	80.79	67.78	91.04
Hong Kong (46)	100.15	−0.1	79.70	100.48	4.55	100.30	79.82	100.63	105.83	84.90	115.60
Ireland (18)	129.19	−0.5	102.81	116.13	4.08	129.89	103.37	116.62	129.89	104.60	126.54
Italy (102)	69.97	−0.2	55.68	66.23	3.03	70.14	55.81	66.26	81.74	62.99	99.01
Japan (456)	170.69	−0.5	135.84	134.22	0.53	171.53	136.50	134.77	177.27	133.61	150.48
Malaysia (36)	134.81	+1.6	107.28	134.22	2.72	132.74	105.63	132.13	134.81	107.83	168.38
Mexico (14)	151.15	−0.1	120.29	377.95	1.32	151.33	120.43	378.39	176.90	90.07	182.35
Netherland (38)	103.08	−0.1	82.03	89.91	5.14	103.22	82.15	89.96	110.66	95.23	115.11
New Zealand (21)	80.91	+0.0	64.39	61.60	5.88	80.89	64.37	61.73	80.91	64.42	90.34
Norway (25)	117.81	−0.2	93.75	99.18	3.05	118.06	93.96	99.19	132.23	98.55	137.27
Singapore (26)	111.31	+1.0	88.58	103.47	2.40	110.18	87.68	102.38	114.93	97.99	139.32
South Africa (60)	130.52	−1.7	103.87	84.22	5.08	132.80	105.68	85.38	139.07	118.16	163.78
Spain (42)	149.92	+0.0	119.30	128.11	3.37	149.99	119.36	127.89	155.36	130.73	115.00
Sweden (36)	124.42	−0.3	99.02	109.32	2.60	124.78	99.30	109.26	124.78	96.92	114.03
Switzerland (55)	76.03	−0.2	60.51	67.12	2.54	76.15	60.60	67.25	86.75	75.60	94.01
United Kingdom (327)	138.35	−0.1	110.10	110.10	4.40	138.48	110.21	110.21	141.18	123.09	141.76
USA (580)	103.82	+0.4	82.62	103.82	3.80	103.46	82.33	103.46	110.51	99.19	119.05
Europe (1006)	107.34	−0.1	85.42	90.83	3.90	107.46	85.51	90.86	110.71	97.01	117.41
Pacific Basin (673)	166.57	−0.4	132.56	131.99	0.72	167.17	133.03	132.41	172.26	130.81	148.38
Euro-Pacific (1679)	142.89	−0.3	113.71	115.63	1.69	143.29	114.03	115.90	147.53	120.36	136.03
North America (705)	104.47	+0.3	83.14	103.85	3.77	104.11	82.85	103.52	111.28	99.78	119.38
Europe Ex. UK (679)	88.16	−0.1	70.16	78.72	3.44	88.26	70.24	78.70	92.81	80.27	102.30
Pacific Ex. Japan (217)	116.96	+2.0	93.08	103.70	4.12	114.63	91.22	102.43	116.96	87.51	122.87
World Ex US (1878)	141.84	−0.3	112.88	115.04	1.76	142.24	113.19	115.33	146.49	120.26	135.98
World Ex UK (2131)	126.09	−0.1	100.35	111.30	2.18	126.20	100.43	111.36	130.28	111.77	128.15
World Ex So Af (2398)	127.15	−0.1	101.19	111.36	2.38	127.24	101.26	111.42	130.96	113.26	129.13
World Ex Japan (2002)	106.29	−0.2	84.58	99.29	3.84	106.04	84.39	99.08	110.99	100.00	119.32
The World Index (2458)	127.17	0.1	101.21	111.18	2.40	127.28	101.29	111.25	130.92	113.37	129.35

Base values: Dec 31 1986 = 100. Finland: Dec 31 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local)

Amendments to indices for May 25 applied to Malaysia and the Regional indices

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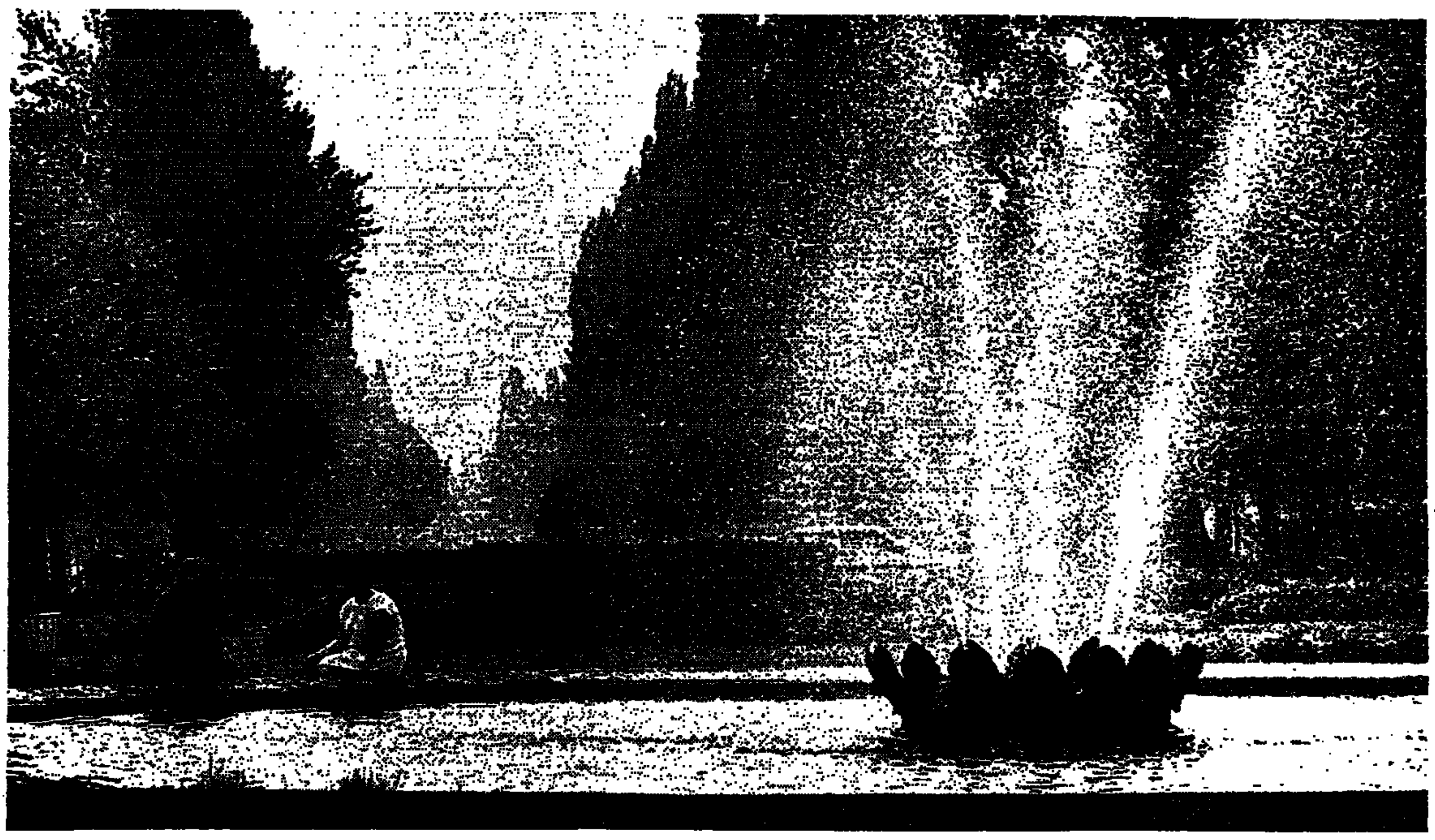
SECTION III

FINANCIAL TIMES SURVEY

Once, the county was known for its garden cities. Then, Stevenage marked the birth of the new towns movement. Now, the key words are high technology. Business parks are doing well. But, despite the buoyancy, says **Alastair Guild,** there are still some areas of concern



The high tech renaissance

Hertfordshire

CONTENTS

☐ *Photograph of Welwyn Garden City (left) and others for this survey by Tony Andrews*
Map by Bob Hutchison

HERTFORDSHIRE is in the middle of an economic and social renaissance, the third this century.

Garden cities, a concept conceived by Ebenezer Howard in the early 1900s and enshrined in Welwyn and Letchworth, first drew companies out of the smog and grime of 1930s London to well-ordered, green and pleasant estates. Stevenage marked the beginnings of the equally bold New Towns movement in 1940s Britain. It, and others in the south-east aimed to accommodate London overspill with companies such as British Aerospace, then English Electric Aviation, providing the employment base.

The county's third incarnation is as a much sought after location for high technology and service companies. Hertfordshire has benefitted partly from regional factors, the most important being the completion of the M25 around London. The immediate effects were naturally felt in the county's south-west, with Watford now established as a major centre for offices, retailing and high tech companies. It is the fifth most expensive town, by office rents, in the south-east region.

But the county has taken steps itself to attract new investment eastwards. Helped by the completion of the A1 (M) tunnel at Hatfield, the A1 corridor campaign, a joint initiative by the county council and local authorities along the motorway, launched last May, has been extremely successful in promoting sites and premises for redevelopment or immediate occupation, largely on or adjacent to existing industrial areas.

The campaign unit, based within the county council, and district councils all report a remarkable rate of inquiries over the past 18 months or so, while the corridor is being talked of as the best location for Hertfordshire's first true science park, and for large-scale office parks, designed to attract major office relocations from London. The largest relocation so far was by Confederation Life in April from its Chancery Lane headquarters to a new 95,000 sq ft building in Stevenage housing 370 employees.

There are signs that the effects of Stansted's elevation to be London's third airport are already being felt. Essex and Hertfordshire, which strongly resisted the airport's expansion, are now seeking to channel housing to well-defined locations and economic development for the most part to largely well-established employment areas. They want to contain encroachment into the countryside, while, at the same time, minimising pressure on the infrastructure of towns such as Bishop's Stortford, already facing considerable traffic congestion.

Some analysts doubt the realism of what has been termed a damage limitation policy. The high costs of Cambridge and London Docklands at either end of the M11 are prompting companies to look more closely at areas around Stansted. There is white land, between settlements and major roads, for example, where development could be sensibly accommodated, they say. Local authorities should be talking to developers to pinpoint such opportunities. Otherwise, they risk losing an application on appeal which might open the floodgates, in the words of one consultant.

The presence, stretching back some 40 years, of notable aerospace, defence and pharmaceutical companies in Hertfordshire has undoubtedly been another factor in stimulating interest in the county, particularly from high technology companies.

Hertfordshire now has the highest concentration of high tech firms of any county in the UK, according to a recent study which showed a significant link between the share of defence expenditure in a region's gross domestic product and its relative concentration of high tech jobs.

Aerospace, defence and, to a lesser extent, pharmaceuticals have long been the largest employers. The number of direct jobs in aerospace and defence still approaches 25,000, with many more employed by subcontractors. There are more than 17 firms in the pharmaceutical sector employing a total of over 5,000 people. Aerospace and defence companies, in particular, have been through a period of rationalisation and uncertainty over orders. Lay-offs have resulted, but they have continued to provide a prominent and dependable foundation.

Hertfordshire has a higher rate of small business start-ups than anywhere in the south-east. These have been most heavily concentrated around enterprise agencies which have often received support from companies following a redundancy programme. British Aerospace in Stevenage is one example.

These small businesses are increasingly looking to foreign markets, says Mr Gareth Osborne, chief executive of Hertfordshire Chamber of Commerce. Chamber income from export documentation preparation accounts for 54 per cent of the total, compared with the average for UK chambers of 39 per cent. But escalating land values, soon likely to reach £1m an acre in Welwyn, for example, are likely to curtail the provision of premises for start-ups.

At the same time, rising land costs and rents, and falling unemployment levels, from around 10 per cent in many districts in the early 1980s to present levels of around 5 per cent provide further evidence of the local economy's strength.

Hertfordshire has always performed very buoyantly, says David Woodhall, chief executive of the Commission for New Towns. The commission raised £60m last year from the sale of land and premises in Hemel Hempstead, Hatfield, Welwyn and Stevenage out of a total of £216m for the UK's 13 new towns. Hemel Hempstead accounts for a significant proportion of the £300m worth of property still to be realised by the commission in Hertfordshire, reflecting rapidly rising values in the town.

Peat Marwick McLintock, the first of the big eight accountancy firms to provide a full range of services from a Hertfordshire-based practice, in St Albans, and soon to be followed by Price Waterhouse, commissioned a survey of 44 Hertfordshire firms at the end of last year. All expected to create jobs this year and predicted substantial increases in turnover and investment. Excellent communication links, proximity to London, pleasant residential areas and accommodation were viewed as some of the key advantages of being based in Hertfordshire.

A major concern, however, and a potential threat to most businesses' expansion plans was the extreme shortage of skilled staff. There are some 20,000 unemployed in Hertfordshire, or 4 per cent of the available workforce, with 10,000 of those out of work for more than six months. Yet there are 18,000 jobs unfilled, many of them in the office, retail and high technology sectors, all demanding new skills.

A labour market intelligence forum has been established to tackle the shortfall. Chaired by a representative from the county council's education department, it includes representatives from the careers service, MSC, Hatfield Polytechnic, colleges of further education and the council's planning and estates department. It is seeking to achieve a better match between the skills required by employers and the skills of potential employees.

Hertfordshire has one of the largest further education programmes of any county, and its 12 colleges of further education and polytechnic are working increasingly closely with industry to tailor courses to the requirements of the workplace. The partnership extends to the provision of equipment to give students hands-on experience, with the cost being met by the colleges, industry and sometimes the Department of Trade and Industry.

There is an awareness that for balanced economic development to be possible there must also be a suitable range of sites and premises. With rising land costs, developers have been looking naturally for the highest return on their investment. Office developments on industrial sites are likely to become more common with the introduction of the B1 business use class. The county council is closely monitoring the situation to ensure that an adequate supply of land is retained for more traditional industrial uses.

Housing is another area of concern. A survey by the Halifax Building Society indicated that the average price of a semi-detached house in the county has risen to over £83,000, about three times the level in some northern counties. That reflects the high incomes and mortgage capacity of Hertfordshire residents. The cost of housing is one factor inhibiting the recruitment of workers for many of the skilled job vacancies, though house prices are by no means uniform throughout the county. Local agents point to cheaper housing available in the north of Hertfordshire or in nearby Bedfordshire.

Increasing pressure on Hertfordshire's environment is uppermost in some people's minds when they voice their misgivings about the present pace of development. Major industries are becoming highly sensitive to environmental problems and actively seek improvements, says Mr Dennis Burningham, campaign director for the Herts and Middlesex Wildlife Trust. But the new pressures on Hertfordshire's natural environment are of industrial development trampling unheedingly along major trunk routes like the "ribbon" developments of the 1930s.

Alastair Guild on the interest generated by the A1 promotion campaign

Joint action increases awareness

TOWNS ALONG the A1, from Hatfield in the south to Baldock in the north, are now attracting companies to their industrial estates, business parks and town centres. The bullish demand for sites and premises along the corridor has even tempted the more daring to draw comparisons with the M4.

But before the launch of the A1 promotion campaign in May last year – a joint initiative by Hertfordshire County Council, Welwyn Hatfield, North Herts and Stevenage district councils and the Letchworth Garden City Corporation, to pool their resources in promoting the corridor – sluggish was the only word to describe the level of interest in many areas. Each authority is this year contributing £7,000 to the campaign's £35,000 cost.

Whether the A1 corridor's changing fortunes can be entirely credited to the campaign is, admittedly, difficult to unravel from the M25's ripple effect, felt along most of the radial routes out of London. But it was unlikely that individual authorities, acting in isolation, could have had such an impact on perceptions outside the county, with investment interest, previously focused almost exclusively on Hertfordshire's south-west corner now advancing eastwards.

The campaign, co-ordinated from a unit in the county council and aiming to create 10,000 jobs in the area, has raised awareness of the A1 corridor's potential first through advertising and literature and then by building on responses to the publicity. A1 brochures have been sent to more than 7,000 companies and over 3,000 registers of premises have been distributed to estate agents, individuals and firms.

The registers, issued quarterly, are financed by sponsors of the promotion campaign, the latest by Barclays. A direct mailing to 2,000 companies was followed up using a tele-marketing company, involving 600 calls. Mailshots have produced several hundred inquiries and open days have given those companies with positive relocation plans an opportunity to learn more about what the corridor has to offer.

Local property agents were invited to join the A1 promotions committee, providing up-to-date information on the availability, practicality, level of prices and values of properties in answering property inquiries.

It is noticeable how many people are now talking about the A1 corridor and the amount of interest being shown in space is remarkable, says Mr Andrew Egerton Smith, chief executive of Letchworth Garden City Corporation. "While 18 months ago people were saying the Letchworth business park would never get off the ground, now the bulk of the sites are already taken or are under very active negotiation, and this in an area where there is said to be a skills shortage."

The Hatfield tunnel has made an enormous difference to the area's appeal, he says. It has reduced travelling time to London by half an hour. "Before you had to drive round the edge of Hatfield on the A1, and the frightful traffic jams were a positive deterrent to investment in the area."

The business park's 56 acres were occupied by a 600 Group iron foundry until the late 1970s. The company has retained a small part of its premises to build cranes while George Cohen Machinery, part of the group, will soon move into a new office block being built on the park.

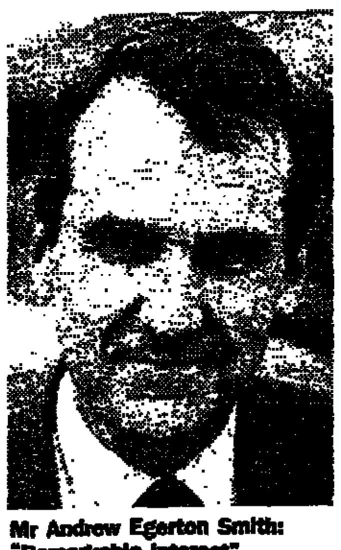
The rest of the park, which is being developed partly by the corporation and partly by PosTel, has attracted a wide range of firms, including an office relocation, a computer company, an out-of-town retail unit, a computer centre for Tesco, a company making electronic switch gear, with an office village development now under very active negotiation.

The village would comprise 40,000 sq ft of B1 space and four acres of owner-occupied units of up to 5,000 sq ft.

The corporation has invested £12m in the park's development and will invest a further £8m in new buildings to be let off rack rent. Once complete, within three years, the park will contain 1.25m sq ft. The number of people working there could reach 2,000.

"We have been so encouraged by the park's success that we are planning to bring forward a further eight acres of our land, half of it zoned for industry," says Mr Egerton Smith.

A 400,000 sq ft building vacated by Borg Warner in the early 1980s has been split up, giving 250,000 sq ft in total with 150,000 sq ft lost in exchange for improved access. Another 50,000 sq ft unit, being sub-divided into owner-occupied units of 1,500 to 2,000 sq ft is already sold. Letchworth has witnessed a dramatic



Mr Andrew Egerton Smith: "Remarkable interest"

reduction in unemployment levels. Borg Warner, the 600 Group and ICL either moved out or shed significant numbers of jobs. From virtual over-employment in the mid-1970s, unemployment reached 15 per cent in the early 1980s, but it is now down to 5.5 per cent.

"There are shortages of certain skills but we believe these can be met by retraining existing employees to take on greater responsibility and for vacancies created to be filled from within companies," says Mr Egerton Smith. A chartered accountant, liaising between the LGCC and Letchworth businesses, is now talking to the local skills centre about ways in which such training might be provided.

"The A1 corridor campaign may need to change direction in the future because of the pace at which space is being taken up," says Mr Egerton Smith. "It may be necessary to concentrate on attracting quality rather than quantity, less manufacturing, more service-type employment. You see people commuting to London every day and wonder whether they shouldn't be working locally."

Stevenage, Britain's first new town, is already getting choosy about the types of firms it wants to see set up in the area, with the town running low on both office and industrial accommodation. Several electronics based companies, currently located in the M4 corridor, are apparently in various stages of negotiation with the borough council, attracted by lower living costs, the availability of skilled labour and the improved accessibility along the A1 corridor.

Early last year the Gunnels Wood industrial area had 200,000 sq ft of industrial, warehousing and office space available, while a year later only 14,000 sq ft remained vacant. British Aerospace army weapons and space and communications division, Marconi Instruments, ICL and Combustion Engineering were already among the companies on the estate.

All the space is now taken in the Meadway Technology Park at the estate's northern end. Companies already on the park or soon to occupy sites include Manulife's training centre, Elopak, making milk cartons, relocating from cramped premises in Stevenage, while Wiltron, currently based on the Gunnelswood industrial estate, is taking the third main slice.

The Commission for New Towns is currently marketing two sites, of 8.5 acres and 10 acres, in Stevenage's second major industrial area, the Pin Green industrial estate. The Eagle Centre, 11.5 acres formerly occupied by Kodak which Stevenage Borough Council would like to see developed for industrial and commercial use, is the only large area proving difficult to move. The land's owners have other ideas, preferring to sell for retailing, but the borough council's opposition has been upheld several times on appeal.

But elsewhere in the town, there has been a healthy level of retail developments. The Westgate, a fashion-orientated, covered shopping centre just to the west of the town centre, is already half occupied, while Tesco and Boots are two of the stores committed to Town Centre North, now under construction.

Office space has also been in demand. Confederation Life moved its UK headquarters from Chancery Lane in central London to a 95,000 sq ft building, with blue reflective glass, adjacent to the station. It houses 370 employees and the insurance company says it had no difficulty attracting key workers to move. The town's Huntinggate office complex is almost fully let, while two refurbished office blocks in the town centre are now being let.

Unemployment in Stevenage, at 6.1 per cent, is at its lowest since the recession of the early 1980s, and just below the regional average. At the Stevenage Employment Advice and Resources Centre in-depth job counselling is available while SITEC, the Stevenage Information Technology Centre, providing training in electronics, places 80 per cent of trainees in employment.

Unemployment levels in Welwyn and Hatfield have long since peaked and are now down to 3.7 per cent. Demand for sites and premises in the district has been as buoyant as elsewhere along the corridor. Consolidation, and in some cases contraction, of older industries has brought forward areas for redevelopment.

Shire Park, once occupied by ICI Plastics, is one example, with a quarter of the 61 acres already redeveloped. The whole site has outline approval for redevelopment of a mixed character, including offices, high tech, R&D and warehousing and light industry. Digital acquired 11.75 acres and now occupies 75,000 sq ft of offices with room for a further 75,000 sq ft as required. Phase II, scheduled for completion next year, will bring forward eight buildings of the B1 business use class.

British Aerospace is expected to consolidate its civil aircraft division's operations on the existing site, and that is likely to produce some land for redevelopment. Mitsubishi recently moved its national headquarters to South Hatfield, occupying 50,000 sq ft of offices and 100,000 sq ft warehouses, while Xerox has chosen Welwyn Garden City for its 45,000 sq ft research and development centre.

There have been a number of developments of smaller units for high tech companies. The district council has itself completed two schemes and a third with a local developer.

The district has also seen a high level of activity on the retail side, the most significant developments being the 225,000 sq ft Park Plaza leisure goods shopping centre south of Hatfield, the 180,000 sq ft covered shopping precinct being built next to Welwyn Garden City railway station and a Tesco superstore on the outskirts of Hatfield.

North Herts has experienced industry closures as elsewhere in the A1 corridor though perhaps on a lesser scale, and so offering fewer opportunities for redevelopment. Unemployment peaked at 10.2 per cent in the early 1980s and has dropped to 4.9 per cent. Gam Gears closed its 15,000 sq metres factory in Hitchin, employing 370, in the early 1980s. The site has been redeveloped to provide 11,500 sq metres, split into 33 units, all of them let, with total employment of 230.

Dent Publishers rationalised its land holding, leaving scope for a development of six warehouse units. Inquiries for land or premises which North Herts, or indeed any other district cannot itself satisfy are channelled through the A1 campaign unit to other districts in the corridor, a further advantage of the concerted approach. The campaign's momentum will continue into next year when further activities are planned.

Aerospace

Hatfield is home to many famous aircraft

AEROSPACE manufacturing has been closely associated with Hertfordshire, and especially with the Hatfield area, for over 50 years, since the de Havilland Aircraft Company first moved into its new premises on a 400-acre site at Hatfield in 1934.

The company had run a flying school at Hatfield since 1930, while building its aircraft at its Stag Lane, Edgware, Middlesex, factory since its formation in 1920.

The de Havilland group, comprising aircraft, aero-engine, propeller and other companies, remained based at Hatfield through to its incorporation into Hawker Siddeley Aviation (HSA), part of the Hawker Siddeley Group, in 1960. But although the name changed, the factories did not. They remained at Hatfield, and have been considerably expanded.

HSA itself was nationalised in April, 1977, along with the British Aircraft Corporation, Hawker Siddeley Dynamics and Scottish Aviation, to form the state-owned British Aerospace, the biggest individual aerospace manufacturer in Western Europe and one of the largest in the world.

BAe, as it is generally known, was returned to the private sector in two stages, half the company being privatised in early 1981, and the remainder in mid-1985.

Hatfield has thus been the source of many of the most famous aircraft built in Britain, ranging from the long series of Moths which first made de Havilland's name in the 1930s, through to the Mosquito light bomber of the Second World War, the early jet fighters such as the Vampire and Venom, the piston-engined Doves and Herons, and the world's first jet airliner, the Comet, launched in 1949.

In the post-war period, the long line of aircraft continued with the Trident tri-jet airliner, and the Type 125 executive jet which is still in production today, together with the current major civil aircraft venture of the BAe group, the four-engined regional jet airliner, the Type 146.

This list is by no means exhaustive, for the de Havilland Group alone produced well over 100 separate designs. Not all were successful commercially, and there were some serious setbacks, notably with the Comet itself in the early 1950s. But overall, through the past 50 years or so, it is estimated that well over 20,000 aircraft of all kinds have emerged from the Hatfield factories.

Today, aerospace as a whole directly employs over 15,000 workers in Hertfordshire, with many more indirectly involved through sub-contractors, and equipment and component suppliers.

Civil aircraft manufacture in the Hatfield area alone employs about 4,500 workers. These are primarily involved on the twin-engined small business and executive jet, the Type 125, of which sales to date stand at 694, and the Type 146 regional jet airliner, of which firm sales amount to 114 aircraft with options and commitments for another 64.

Some work is also done at Hatfield on Airbus wings, while at nearby Stevenage, BAe has established its Civil Aircraft Marketing Operations Centre, responsible for the marketing and support world-wide of all the civil aircraft in the BAe stable – the 125 and 146, the Jetstream 31 (built at Prestwick, Scotland) and the Advanced Turboprop, built at Woodford, Manchester.

Early in the post-war period, the aircraft side of the aerospace industry in Hertfordshire was joined by the newly-developing guided missile activities. These initially included the de Havilland Firestreak air-to-air missile, and the long-range ballistic missile Blue Streak, but over the years have expanded substantially now to form the major element of aerospace activities in the area.

For on January 1 this year, British Aerospace set up its new Dynamics Division from the combined resources of its existing Air Weapons, Army Weapons and the Naval and Electronics Systems Divisions, with its headquarters at Stevenage.

This new division employs about 19,000 people, many of them (nearly 9,000) based at the Hertfordshire sites of Hatfield, Welwyn and Stevenage, with the remainder spread through such other divisional sites as Bracknell, Bristol, Henlow, Lostock and Plymouth.

The division has the widest range of missiles and defence related products in Europe. These are broadly divided into air, naval and army missile systems, and also include such products as mines and mine counter-measures systems, message handling systems, anti-submarine warfare systems, propellers, radomes, wind-turbines, electro-optic tracking systems, environmental control systems and a wide range of other equipment including gyroscopes and military computers.

Major missile programmes being undertaken by the Dynamics Division at Hatfield and Welwyn include the Alarm anti-radar missile under development for the RAF, anti-ship missiles such as Sea Eagle and Sea-Skua, and the advanced air-to-air missile, Skyflash.

Much work is also being carried out in association with overseas companies, particularly on the advanced short-range and medium-range air-to-air missiles Asraam and Amraam and on future stand-off air-to-surface missiles.

At Stevenage work is concentrated on the design, development and production of land-launched weapons systems. These broadly consist of the Rapier family of anti-aircraft missile systems and a range of anti-armour weapons systems, but in addition there is a comprehensive amount of high technology work in other areas, such as gyroscope manufacture, radomes, microchip circuits and a wide range of mechanical, electrical and electronic engineering.

Although space activities came after guided weapons, they have nevertheless also expanded and now form a major part of the aerospace industry's Hertfordshire activities.

The Space and Communications Division of BAe is responsible for all the space activities within the company, and is the largest organisation of its kind in Europe. It is also the largest supplier of communications satellites outside the US, and the third largest in the Western world.

The division's headquarters are at Stevenage, where it employs some 1,750 personnel. Product areas include satellites for telecommunications, TV distribution and direct broadcasting, together with specialised business services, mobile telecommunications and transportable Earth Stations.

Current projects for which BAe is prime contractor include the manufacture of five European Communications Satellites (ECS) and the large multi-purpose Olympus 1 communications satellite for the European Space Agency, together with four Inmarsat II satellites for the International Maritime Satellite Organisation, three Skynet 4 military communications satellites for the UK Defence Ministry, and two Nato IV military comsats.

The company is also a partner with Matra Espace of France in Satcom International, which markets the medium-sized EuroStar platform.

The division manufactures the Spelda external loadbearing dual-launch unit, which enables Europe's Ariane 4 rocket to launch two or more satellites during the same mission. In addition, the company provides the launcher release gear for Ariane.

BAe has also proposed an entirely new type of space vehicle – the Hotol (for Horizontal Take-Off and Landing), a revolutionary unmanned launcher which will turn engineering dreams into reality, by providing economic and reliable access to space. These totally reusable vehicles, capable of taking off and landing horizontally on normal runways, will deliver up to eight tonnes of cargo into orbit and then return to earth.

Hotol is currently under joint study by BAe and Rolls-Royce, with financial support from the Department of Trade and Industry, and it is hoped that further development contracts will eventually be forthcoming.

Michael Donne
Aerospace Correspondent


TESCO
One county is helping us change the way the whole country shops.

Alastair Guild on links between industry and the county's further education colleges

Teaching with an eye on tomorrow

THE COUNTY'S schools and colleges of further education are working closely with industry to tailor courses to the requirements of the growing electronics-related and service sectors.

The benefits of such liaison are reflected in the low long-term unemployment rate for young people. Most school-leavers find employment or go on to further education by the autumn term.

The county council's labour market information officer works with companies to reach a better understanding of the labour market, plotting trends in the local economy and feeding information through to colleges so they can adjust their programmes. The technical vocational educational initiative, grant-aided by central government and running in Hertfordshire since the early 1980s, aims to make school curricula relevant to the world of work.

The 12 further education colleges spread across Hertfordshire each offer courses with a strong vocational bias, many with a high degree of specialisation.

Watford Technical College's programme, for example, is orientated towards printing technology and engineering. Stevenage runs courses in microwave technology, while North Herts College is strong in business studies.

The staffing requirements of Hertfordshire's increasingly buoyant financial services sector are now making themselves felt. Large companies relocating to the area may bring professional and managerial staff or advertise nationally, but they still rely on local recruitment for administrative support. Those with legal expertise, a knowledge of personnel management or computer skills are at a special premium.

With 70,000 students taking day release or full-time courses, 1,500 full-time lecturers and many part-time specialists, Hertfordshire has one of the largest further education programmes in the UK. "We see the part-time course being of greater relevance to industry and that's the area we will be pushing," says Mr John Evans, the county council's principal assistant education officer for further education.

Each of the further education colleges is appointing a marketing person. The county council is investing £200,000 in the scheme, one of the largest in the country.

Joint deals are now commonplace in Hertfordshire with industry and the Department of Trade and Industry matching money invested by the county council in the latest equipment. "We're becoming bolder in that area, a bit more aggressive," says Mr Evans.

A recent example is the purchase of printing equipment for Watford Technical College, with the county putting in £70,000, printing employers £70,000 and the DTI also matching the county pound for pound.

When another John Evans, became principal of de Havilland College, four years ago, he found the college in a sorry state. "I went round local companies, explaining my commitment to industry and suggesting we should have a partnership to rebuild the college," he says.

Every square metre of the college, on five sites in the county, was refurbished, much of the work carried out by teaching staff during the vacation.

"We then approached the DTI, explained the ready money we'd had from industry, and the department matched industrial funding." The local authority was impressed and put in substantial extra money. The college last year generated nearly £1m from external sources, with the local authority contributing £7m towards running costs.

GEC Avionics approached de Havilland two years ago with a requirement for training in software engineering. The college had no previous background in that discipline, but within two months an HNC course, with 20 places, was fully enrolled and running. Students spend one day in the classroom and four days in industry. Equipment was provided by GEC, Hawker Siddeley, British Aerospace and other companies, with much support funding for expensive real-time programming equipment directly from the DTI. Teaching staff came initially from industry, but the college's own lecturers have built up their own expertise by company visits.

The Department of Education and Science, encouraged by the success of the software engineering initiative, is paying, through the local collaborative project for two college staff to work full-time in industry for one year, focusing on advanced manufacturing technology. They will report back on industry's training needs.

Taking pride of place on John Evans' office wall is a thermal map of central Hertfordshire, taken from 460 miles up by Landsat 5. The college's National Centre for Cartography is linked up to the satellite, with the DTI acting as catalysts in providing pump-priming funds for the centre and industry funding nearly all necessary equipment. The centre takes 80 students a year, 20 per cent of them from overseas. Graduates, who receive a BTec diploma in cartography, find jobs in land surveying or go on to take degrees, many of them at Hatfield Polytechnic.

Training for the distribution sector is one area about which Mr Evans is concerned. Distribution firms are flocking to the county because of its strategic position. Last year 68 per cent of Hertfordshire's school-leavers went into distribution or retail employment. "But I haven't got one member of staff or one student in distribution," he admits.

Hatfield Polytechnic, with 5,000 students and six faculties, not only aims to reflect the needs of industry in its undergraduate course provision but sells its expertise to local companies, both in the form of consultancy and short courses.

"We go to industry to find what their training or retraining needs are, and customise short courses accordingly," says Kathleen Levine, the polytechnic's short courses manager. Some examples are stress engineering and CAD courses run for British Aerospace, software engineering and microprocessing courses for Marconi and a staff management programme for Tesco.

"We package courses for smaller companies, identifying a company's needs and finding other companies with the same requirements, so making it more cost-effective," says Ms Levine. The polytechnic recently opened a computer centre with eight DEC Vaxs. The enhanced computer power of 100 dumb terminals and 80 micros networked into the centre from offices and laboratories across the Hatfield campus benefits the polytechnic, with £2m earned each year from research and consultancy.

The move by Glaxo of its research centre to Stevenage will have major repercussions, both in terms of collaboration and the number of part-time students, says Dr Tom Hanahoe, director of studies for biological sciences.

Biotechnology is an area where the polytechnic is fast developing a considerable reputation. It was one of five institutions to bid successfully for money under the National Advisory Board's biotechnology initiative, receiving initially £44,000, increasing annually by small increments. The polytechnic recently completed a biotechnology suite for small batch production, at a cost of £100,000, next to its chemical process laboratory.

It now offers a two-year day release master's degree in biotechnology, with places for over 16 students. The course concentrates on enzyme and fermentation technology, plant and cell tissue culture, process technology with at the end of the final year a major research project.

Polyfield Services, a company closely associated with the polytechnic, helps small to medium-sized companies within a 45-minute radius of the campus to meet quality assurance standards. Though it has access to central polytechnic services, "it is a completely arm's length company and entirely self-supporting," says Dr Alan Younger, its managing director.

Polyfield Electronics, a sister company also based at Hatfield Polytechnic, provides confidential consultancy, acting as the contact point for industry wanting to tap expertise within the division of electrical and electronic engineering.

The polytechnic expects to hear next month whether it is one of the 10 institutes of higher education to receive funding under the MSC's Enterprise Initiative. All polytechnics and universities are eligible to apply, and Hatfield has made the last 20.

John Evans, head of de Havilland College, in its automation centre

Stansted Airport

Why planners are in a pickle

PRESSURE ON areas around Stansted will increase in the next 24 months, culminating in a number of crunch planning applications and appeals. That is the view of some analysts who believe that local authorities might as well accept it and make preparations accordingly.

If councils take an intransigent view towards commercial development and lose on appeal, then that could open up the floodgates, says Mark Prisk, manager of the London office of Derrick, Wade and Waters, property and design consultants. The danger is that they will lose control of what is the eventual outcome.

Any vestige of strategic planning to accommodate the natural increase in population in the area (which would have occurred without Stansted) has been forsaken for a "damage limitation" policy to keep newcomers and businesses away, says Andrew Noyes, a property analyst with Bidwells in Cambridge.

A different interpretation is put on events by local planning authorities. Essex and Hertfordshire county councils and East Hertfordshire and Uttlesford district councils reached agreement in May last year on how they wish to see development accommodated as the airport builds up to 8m passengers a year by the early 1990s.

Their aim is to limit the impact of the airport in this area of attractive undulating and productive countryside, most of which is Grade 2 agricultural land.

The local authorities' objective is to direct all airport-related employment to the airport site; to channel spin-off economic activity to the area to towns, while spreading the economic benefits to Harlow and Braintree in particular; and to locate most of the additional housing related to Stansted's expansion near the airport, with Bishop's Stortford accommodating an additional 1,000 dwellings, Harlow 1,100 and Uttlesford district 900.

They want to phase all airport-related housing, with Harlow providing the first phase starting before 1991. Brenthall Park, a development of 3,500 houses in Harlow was recently given the go-ahead by the Environment Secretary. Competing schemes have been drawn up for Bishop's Stortford's housing allocation. Elsewhere, new housing is not required until the 1990s, and will be phased with the build-up of employment at the airport.

A further 1,000 airport-related houses will be needed within the Stansted catchment area, broadly defined at the public inquiry as within a 30-minute travel time from the airport but beyond the area defined as being close to Stansted, or within 15 minutes' travelling time.

The growth of the airport site will generate economic activity, but there is no inevitability nor regional requirement or justification to plan for further economic development in the immediate vicinity, continues the statement. Sites already exist for economic development outside the airport perimeter, including 54 hectares of land at Harlow, with a 17-hectare business park, and provision in the town for commercial office development, and further from the airport, 36 hectares of land at Braintree. Additional provision is being considered within the airport's catchment area.

But there is a question-mark in the minds of the property fraternity whether that will prove sufficient. The Stansted area is likely to be seen increasingly as a preferred location, particularly for high tech companies, as land prices soar at either end of the M11 corridor, in Cambridge and London Docklands.

Land values in Harlow for industrial use stand at £350,000 an acre, and for pure office schemes range from £450,000 to £500,000. The asking price in Cambridge for land for B1 uses ranges from £650,000 to £800,000 an acre, while in London Docklands, land for commercial development will fetch £1m upwards.

Harlow and Bishop's Stortford have been under the greatest pressure so far for commercial and industrial development, though Bishop's Stortford already suffers from considerable traffic congestion. But areas within the town centre are vacant or underused.

Saffron Walden may be the next town to feel the heat. There is still land waiting to be redeveloped and brought forward in towns like Stevenage, which also falls within the Stansted catchment area, but such opportunities are fast running out.

More and more companies are wanting to locate along the M11 corridor for reasons other than land prices. As 1992 approaches, the communications advantages of being near London's third airport will prove attractive.

High-level managers of multinational companies with a plant in central or east Herts already talk of the convenience of Stansted, with total journey time to Paris or Brussels, door-to-door, of as little as two hours.

"Companies tend to want to go where their directors want to live, and they may prefer to live outside London," says Mr Prisk. The residential market along the M11 continues to rise rapidly. A small Victorian terraced house in Bishop's Stortford, for example, which sold for £27,500 in 1985 might now be expected to fetch more than £55,000.

Harlow may have taken most of the commercial pressure so far, but there is likely to be an appeal at some stage over an office or business park scheme.

"There are a number of towns and villages where land is designated as green belt, but falls between being lush fields and urban ribbon development. Such 'white land' often ends up as a tip or being abused. There's a case for much more infilling adjacent to the airport," says Mr Prisk.

That the local authorities' resolve on development around Stansted will eventually be put to the test seems beyond doubt. What would be a reasonable compromise on the green belt for property investors may appear as the thin end of the wedge to county and district councils. The final judgement is likely to rest with the Secretary of State for Environment.

Alastair Guild

Farm lessons

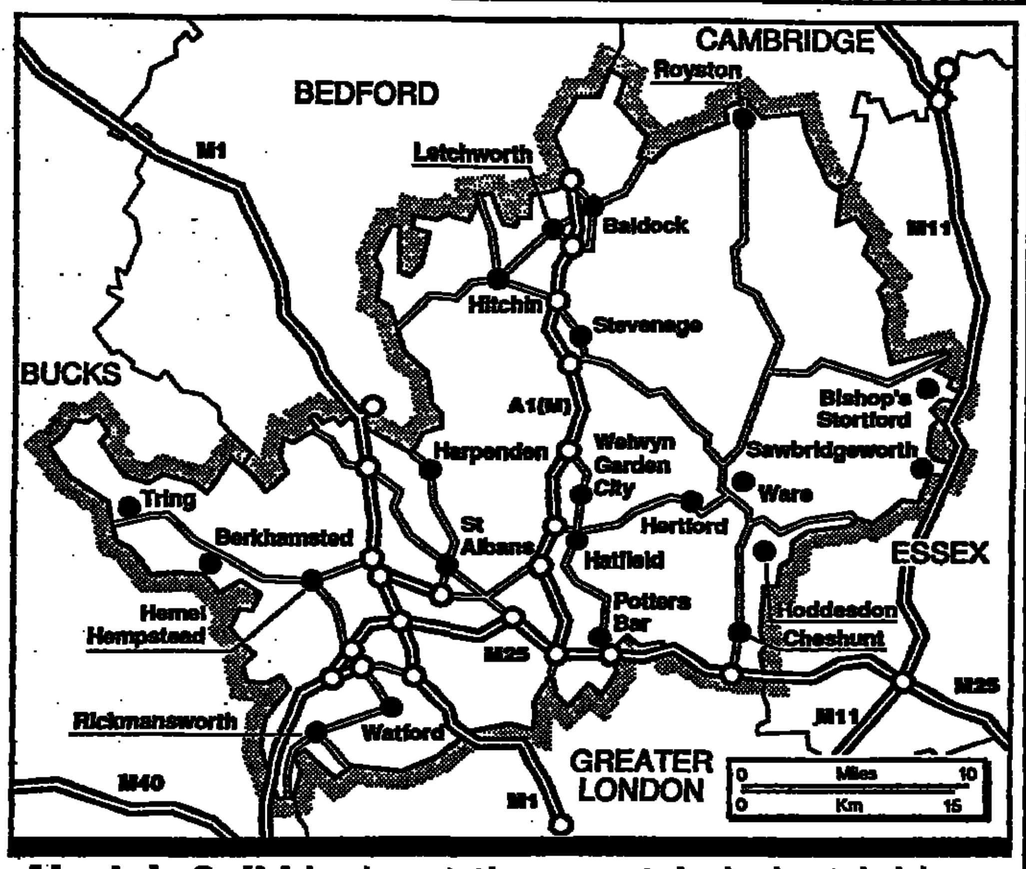
LAWYERS and bankers often need to know more about farming and land management, say Halsey & Partners, managers of the Gaddesden Estate, near Hemel Hempstead.

Their Home Farm seminars, from one to three days, are tailored to the particular requirements of their audiences.

The 2,000-acre commercial farm includes cereal, oil seed and pulse crop production, large-scale dairying, beef production, wintering of sheep and a thoroughbred stud.

A conference room seats 50 comfortably and, apart from lectures, the estate has a pheasant shoot and trout fishing. Hunting with three packs is available.

Home Farm charges from £145 for a one-day course.



Alastair Guild looks at the county's industrial base

The beacon of BAe

AEROSPACE, DEFENCE and pharmaceuticals have long provided Hertfordshire's industrial base, with many small to medium-sized companies benefiting from sub-contract work for the major employers. But service industries are starting to provide a welcome diversity.

The number directly employed in aerospace and defence in the county approaches 25,000, according to estimates from the Herts Business Databank at Hatfield Polytechnic. British Aerospace at Stevenage and Hatfield account for 15,000 jobs, with Rolls-Royce, Lucas Aerospace, GEC Avionics, Racal Acoustics, Hawker Siddeley Dynamics and Irvin (GB) being the other significant defence employers. Hertfordshire has the fourth highest concentration of defence industry sites of any county in the UK.

There are, in addition, many electronics companies involved to some extent in the defence industry, with Marconi Instruments, ICL and GEC Computers being among the more significant, and many smaller firms providing components or site-related support services.

There continues to be some concern about the county's dependence on companies which are themselves dependent on defence contracts and government procurement policies. British Aerospace is still the predominant employer in Stevenage, accounting for over 20 per cent of those in work.

Without British Aerospace, Stevenage would have become another Corby, said one study of its impact on the town. Of the top 10 companies in Stevenage 10 years ago, only BAe, ICL and Combustion Engineering of the private sector companies remain.

Kodak, ICI (Visqueen), Bowater Containers and CPI Data Peripherals pulled out of the town in the early 1980s. Many of the surviving large companies such as ICL, Platignum and Taylor Instruments laid off staff. Employment at BAe during this period was stable, though last year the total was 400 below its 1985 peak of 8,600, reflecting productivity and efficiency drives.

The presence of companies such as BAe must have been one of the factors influencing other high technology companies to move to Hertfordshire. There is a cumulative effect: one feeds off the other, says Iain Begg, a research officer in the department of applied economics at Cambridge University.

A study last year by Mr Begg and Gordon Cameron, professor of land economy at Cambridge found that Hertfordshire has the highest concentration of high tech of any county in the UK, or twice the national average.

The study also showed a statistically significant link between the share of defence expenditure in a region's total gross domestic product and its relative concentration of high tech jobs.

Pharmaceuticals, the other single most significant sector in the Hertfordshire economy, accounts for 5,600 jobs across 17 firms. It has grown in importance consistently since the late 1930s, though some firms have moved production out of the county as industrial space becomes at a premium. Roche and Smith, Kline and French are two of the large companies to have kept manufacturing and distribution in the county, as well as research and administration, while Glaxo is consolidating its research activities in Stevenage.

The growth of the services sector is, by contrast, a new phenomenon in Hertfordshire, one of the most significant examples to date being Confederation Life which moved its UK headquarters from Chancery Lane in central London to a new 95,000 sq ft building in Stevenage housing 370 staff. Many employees came with the company from London.

National Westminster has just announced that it is moving its south-east regional office from Lombard Street to Borehamwood. Watford already has a significant services sector. National Westminster International has located a regional banking centre in the town, while large insurance companies such as Sun Alliance, and the venture capital organisation, Investors in Industry, have also set up major regional centres there.

The decision by two of the big eight accountancy firms to set up in Hertfordshire is another sign of the buoyancy of the county's economy. Peat Marwick McLintock has already opened its St Albans office, while Price Waterhouse expects to move into its new building, also in St Albans, before the end of the year.

Initially employing 50 staff at its new 12,000 sq ft headquarters, Peat Marwick plans to double its employees through local recruitment in the next two years.

Its practice will offer firms in Hertfordshire, south Bedfordshire and east Buckinghamshire local and direct access to expertise in management buyouts, USM and full Stock Exchange flotations. It is already helping half a dozen firms prepare business plans for banks and venture capital funds, though it has not yet formally launched its business services department.

Price Waterhouse is taking a lease on a 26,000 sq ft property, and will be starting with a staff of 100, with seven partners, offering tax advice, corporate reconstruction expertise, management consultancy and financial services.

"The practice will cover as far north as Milton Keynes and Cambridge. We wouldn't be setting up on this sort of scale if we didn't anticipate a fair degree of business expansion in the area," says Robert Clark, managing partner for the St Albans office.

Flat roofs are slightly sloping

IF YOU have any myths or prejudices about flat roofs, Permanite will try to dispel them. This member of the Tarmac Group even runs free training courses for designers and contractors at its Hertford headquarters.

Of course, flat roofs should never actually be flat, says the company, but slightly sloping. It argues they offer major practical and economic benefits if the roof design is correct, the right materials are specified and good installation practice is followed.

And if that isn't enough, the company offers a comprehensive 10-year guarantee, provided its Torflex roofing is laid by an approved contractor.

Despite its advantages, however, a flat roof can be damaged. Accidents, workmen installing or maintaining equipment on the roof, debris blocking rainwater outlets, birds, even wind-borne leaves are cited by Permanite as pitfalls from above.

Now it has come to the rescue with a free service, appropriately named Roofcheck. Its representative inspects the roof waterproofing, gutters and outlets and supplies a report.

The representative might well suggest that the answer could be Gammat. That, it so happens, is Permanite's torch-on roofing system which embraces insurance cover, a comprehensive guarantee, design advisory service and installation by approved roofers.

Garden cities

Taking to the tablets

THE NEXT time you brush your teeth or pick up a packet of pills from the chemist take a look at the packaging. There is more than an even chance that Hertfordshire will figure somewhere.

The county has had a strong pharmaceutical presence since the 1930s. It was the area's environment, as typified by its garden cities of Letchworth and Welwyn, that originally provided the right sort of atmosphere for research scientists' creativity to flourish. A history of Roche puts it this way: Roche of the 1930s and Welwyn Garden City were, it would seem, made for each other.

The company was becoming increasingly successful in an innovative and expanding industry; the Garden City was the practical embodiment of a bold idealism, breaking away from the satanic factories and the sprawling slums spawned by the Industrial Revolution, and creating instead, a pleasant, modern setting, with plenty of space, light and air, for people to live in and to work. Welwyn also had easy access to London and good road and rail links with the rest of the country.

Roche acquired a 999-year lease on a six-acre site, the heart of the company in Britain today. Some 90,000 sq ft are now devoted to the manufacture and packaging of drugs and medicines, with 150 employed in production. Every year 1,300m tablets, 350m capsules, 18m ampoules and 10m packs of one sort or other leave the Welwyn plant, accounting for 95 per cent of the drugs sold by Roche in Britain today.

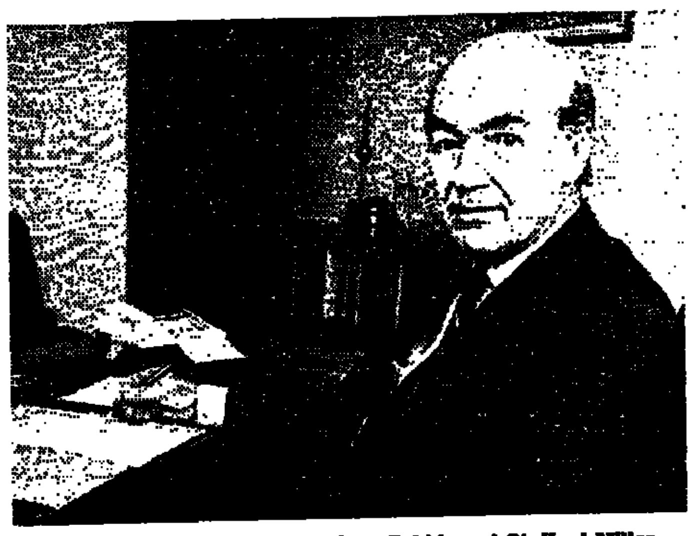
The company has also invested heavily in research facilities on the site, building in 1982 a £4m extension to its research unit, providing 110,000 sq ft in total. This has provided the 300 scientists with, among other benefits, instant access, from computer terminals, to information stored both in Welwyn and at the group headquarters in Basle, as well as to other medical and scientific data banks. Current expenditure on research and development at Welwyn is £11m a year.

Welwyn is also the location for Roche's vitamin and chemical warehousing and distribution centre. Communications are good for both products distribution and employee travel and visitors to the site, says Roche. The company has a major vitamin and chemicals production facility at Dalry in Ayrshire, as well as in Basle. Heathrow is reasonably accessible, while Luton Airport is used increasingly for trips to Roche's subsidiary in Dublin.

Stafford Miller set up in Hertfordshire also in the 1930s, though it transferred production to Wales and Plymouth 10 years ago for lack of land on which to expand its factory. The company then employed 120. Its staff now totals 350, of whom 70 are marketing and headquarters staff, with the rest in production. Stafford Miller is soon to move from 12,000 sq ft of offices in Hatfield to 30,000 sq ft in Welwyn Garden City.

Block Drug New Jersey, Stafford Miller's parent, has its main research centre in the US, where it has developed such products as Sensodyne toothpaste and other oral hygiene aids bearing that brand name, denture products and prescription drugs. But Stafford Miller exports from the UK to 52 countries in 22 languages and dialects. UK turnover is £30m, about 40 per cent accounted for by exports.

"We are a very marketing-orientated company and most of the facilities we need, such as advertising agencies, are London-based," says Mr Tom Kelly, Stafford Miller's managing director. "If we moved our headquarters to Plymouth, we would spend a lot of time commuting."



Tom Kelly, managing director of Hatfield-based Stafford Miller

All staff, including computer operators, clerical grades and those with accountancy skills, are recruited locally, but senior management tends to come from outside the county.

Glaxo, with its main research and development site at Ware, is building a new centre on 70 acres in Stevenage, where research activities, currently split between Ware and Greenford in London, will be consolidated. This is intended to increase productivity and efficiency from research. There will be 600 chemists and 800 biologists working at Stevenage. Some staff will transfer from Ware, but 600 support employees will be recruited locally.

At Ware, up to 200 staff are recruited each year, in the ratio of three technicians to two graduates, and about 100 of those are local. The minimum requirements are four or five Ordinary levels, including English and Maths. A few of these entrants have progressed to doctorates while working at Glaxo, something the company encourages.

Development work at present carried out in Greenford is to move to Ware. The term development covers quality control, pharmacy, or in what form the drug will eventually be delivered, toxicological testing and clinical evaluation.

The bulk of Glaxo's full-scale production takes place in the north of England and Scotland. Research has to be based in the South because "we need the dialogue with academics," says Dr Roy Brittain, principal research director, Glaxo Group Research. "We have contacts with London and Cambridge universities, and undertake joint collaborative research, though we do that with universities elsewhere in the country. It is the ease with which you can attend evening symposia or society meetings in London that is so convenient."

Glaxo also makes use of the contract research facilities at the Huntingdon Research Centre, 35 miles from Ware, while it sends staff to Hatfield Polytechnic for further education, providing chemistry graduates, for example, with a basic course in biology.

US-owned Smith, Kline and French makes up the quartet of large pharmaceutical companies based in Hertfordshire, moving to the county from south London in the late 1950s. Welwyn Garden City is now the site for all production for the UK and overseas markets, pharmaceutical development, analytical and quality control, and UK and overseas administration, with a total of 1,650 employees. Vaccines are the only products which the company supplies in the UK that are made overseas, in Belgium.

The company's research centre moved from Welwyn Garden City to a 39-acre site nearby at Frythe in 1977 with an investment of £45m, while warehousing and distribution is based not far away at The Ridgeway. Research is also carried out in Philadelphia and Belgium. The majority of SKF's production and administration staff are recruited locally. The company says communications are good for distribution of its products, transported by van to wholesalers throughout the UK. But it does have to cast its net quite widely for some materials required.

There are companies which, if they set up in Hertfordshire, could supply a significant proportion of their products to the county's pharmaceutical industry, though whether such companies could depend entirely on such business is another matter.

Alastair Guild

Retail, office and high tech developments

A property boom

HERTFORDSHIRE IS experiencing a countywide property boom. Interest is no longer focused exclusively on established centres such as St Albans and Watford, but is moving steadily eastwards and northwards, writes Alastair Guild.

The completion of the M25 provided the initial impetus, at least in the south-west of the county. Improvements to communications elsewhere in Hertfordshire have added to its attractions for firms spurred to look outside central London and Docklands by rents pushed sharply upwards because of high rates of take-up.

But Hertfordshire is itself not without constraints. The county council has expressed its concern about the amount of industrial land already lost to residential development, particularly in the north and east of the county.

It is also monitoring proposals for office schemes on industrial sites. These are thought likely to become more common because the new B1 Business Use Class, for planning purposes, no longer distinguishes between offices and light industrial uses. The loss of industrial land is likely to continue as light industrial users find themselves unable to compete with office users for land and premises.

The county council has sought to encourage improvements to the fabric of some of the older industrial areas by making pump-priming resources available through its capital programme, to secure the re-use of vacant premises, provide accommodation to small firms, improve operating conditions, provide extra car parking and environmental improvements.

But Welwyn and Hatfield district council has indicated it will not grant any more B1 consents for offices since there is already 750,000 sq ft of this type of space with planning consent. It wants to channel other types of B1 uses, such as high tech and traditional light industry, towards the fringes of employment areas and keep much of these areas for general industrial schemes.

The majority of the 3.7 per cent unemployed in its area are unskilled and, says the council, they are unlikely to find work in offices or high tech buildings.

The shortage of standard industrial and warehouse accommodation in parts of Hertfordshire, at least, is confirmed by Mike Ayton of Hillier Parker. "We are finding it very difficult to satisfy clients' demands for that sort of space.

"We carried out a search in St Albans and Hatfield for units of between 30,000 and 40,000 sq ft and found less than half a dozen opportunities. With the changes in use classes, developers are now looking more closely at industrial estates, but it doesn't necessarily mean that companies will rush to take that space."

But towns are constrained also by surrounding countryside. There have been, as a result, few out-of-town sites available for development, a notable exception being the BP headquarters building at Hemel Hempstead. Most of the new towns are now mature with very little development land left, says Mike Davies, a partner in local agents Moult Benn.

"There would have to be a lot of rental pressure to make it viable to clear and rebuild the older industrial and commercial areas."

So far that has happened to any great extent only in Hemel Hempstead. There rents (a sq ft) for commercial offices have reached £13, for high tech premises £9 and for industrial warehousing £7.

Hemel Hempstead has experienced more high tech developments than the rest of the county put together, though for a long time there was a high vacancy rate due largely to the large block of development and the low standard of some schemes.

The north of the county may be the next to experience development pressures, says Mr Davies. "High tech buildings are expensive to build and, until recently, there hasn't been any clear indication that investors would achieve sufficiently high rental growth in northern Hertfordshire. But it is only a matter of time before that changes. Stevenage and Letchworth offer great potential." The price for industrial land in Letchworth is £250,000 an acre, compared with £750,000 in Hatfield, yet the two towns are only 15 minutes away by car.

The full impact on property of the decision to expand Stansted airport has yet to be felt, but a small indicator is the rise in office rents in Bishop's Stortford over the past two years, from £6.50 a sq ft to £11.50 a sq ft.

Perhaps the greatest turnaround in property terms is being enacted along the A1 corridor. "We are looking at a handful of business park possibilities in Welwyn and Hatfield which developers have not yet seriously considered," says Howard Woolaston of Knight, Frank and Rutley. "These will provide properly designed offices in a business park setting, in effect office parks and for that we will get top rents of £20 a sq ft and upwards for fully fitted space." Most business parks in Hertfordshire so far have been piecemeal developments tacked on to existing industrial estates. He expects the 100-acre site "will open up a totally new market for companies to relocate from central London."

Meanwhile, demand for office space in St Albans, which has benefited from improved rail links to London, and Watford, just off the M25, continues unabated.

Rents in St Albans could well follow the trend of Maidenhead in Berkshire and break the £25 a sq ft barrier once a 10,000 sq metre scheme on a three-acre site by the Abbey station comes through, says Mr Woolaston.

Office rents in Watford, which already rank it as the fifth most expensive town in the south-east region, are now rumoured to have risen above £20 a sq ft.

The south-west of Hertfordshire is also the area to have experienced most pressure so far for large, out-of-town retail schemes, though development activity has also been healthy in town centres throughout the county. An indication of just how healthy is the £100m figure for investment by Tesco in Hertfordshire over the past three years.

Tesco has also chosen Hertfordshire as the location for its first joint development with Marks and Spencer. The company, based in Hertfordshire, sited one of its two main south-east distribution depots at Welham Green, and next year opens two further depots in the region, one of them at Harlow.

The M25 has also opened up massive catchment areas for superstores, and Hertfordshire has more intersections than any other county. It is at one of those intersections, the Golden Triangle at Bricketwood, that the county council's policy on both green belt and out-of-town shopping will be put to the test. The inquiry into the 750,000 sq ft scheme was completed in March.

The county council has also contested a smaller scale proposal for a Save-a-Centre at another M25 intersection at London Colney. This was for an area of land zoned for industrial use. The council wants to maintain the county's pool of industrial land and the application will go to appeal.

Stevenage, Watford and Welwyn Garden City are three of the towns to benefit from major retail schemes in or adjoining their centres, while Park Plaza, being built on the roof of the A1 Hatfield tunnel, is among the large out-of-town retail developments going ahead on non green belt land.

Green belt policy is also having an important bearing on housing developments. Consortia have been eyeing the county's potential for new settlements on the scale of Tillingham Hall for some years, though planning applications would be strenuously resisted by many in the county, not just the council.

Various modifications to the green belt have been proposed, nevertheless, to allow for more housing. A county council suggestion that green belt boundaries be redrawn to provide for 1,200 homes at Hemel Hempstead was turned down by the Secretary of State. A planning application was submitted recently for a housing development to the north-east of Stevenage. However, the council's proposal that green belt boundaries be amended to allow for 2,000 dwellings was scaled down to 1,600 houses by the Secretary of State.

Consideration has also been given to the use of land at present occupied by hospitals, closed or due for closure. Some of these, the county council suggested, should be taken out of the green belt and used for housing. The Secretary of State says that the scope for other institutional uses must first be explored and that redevelopment should be limited to the existing built-up area.

Hertfordshire is likely to face increasing demands on its housing stock. Most district councils are now examining alternatives to council homes, such as housing associations.

The county council has been conducting a study of Hertfordshire's housing problems and what opportunities there are for tackling its housing needs. These suggestions will be contained in a draft paper, due next month.

Access point

GRANADA LEISURE relocated from London to its head office in St Albans in 1974. The site was chosen for its ease of access to Granada's sites operating in the north and south, and with the opening of the M25 travelling east and west is now much simplified.

At its St Albans headquarters the company, part of the Granada Group, houses its accounts department, which is linked by computer to sites around the country. Also there are its building and publicity department as well as central administrative sections.

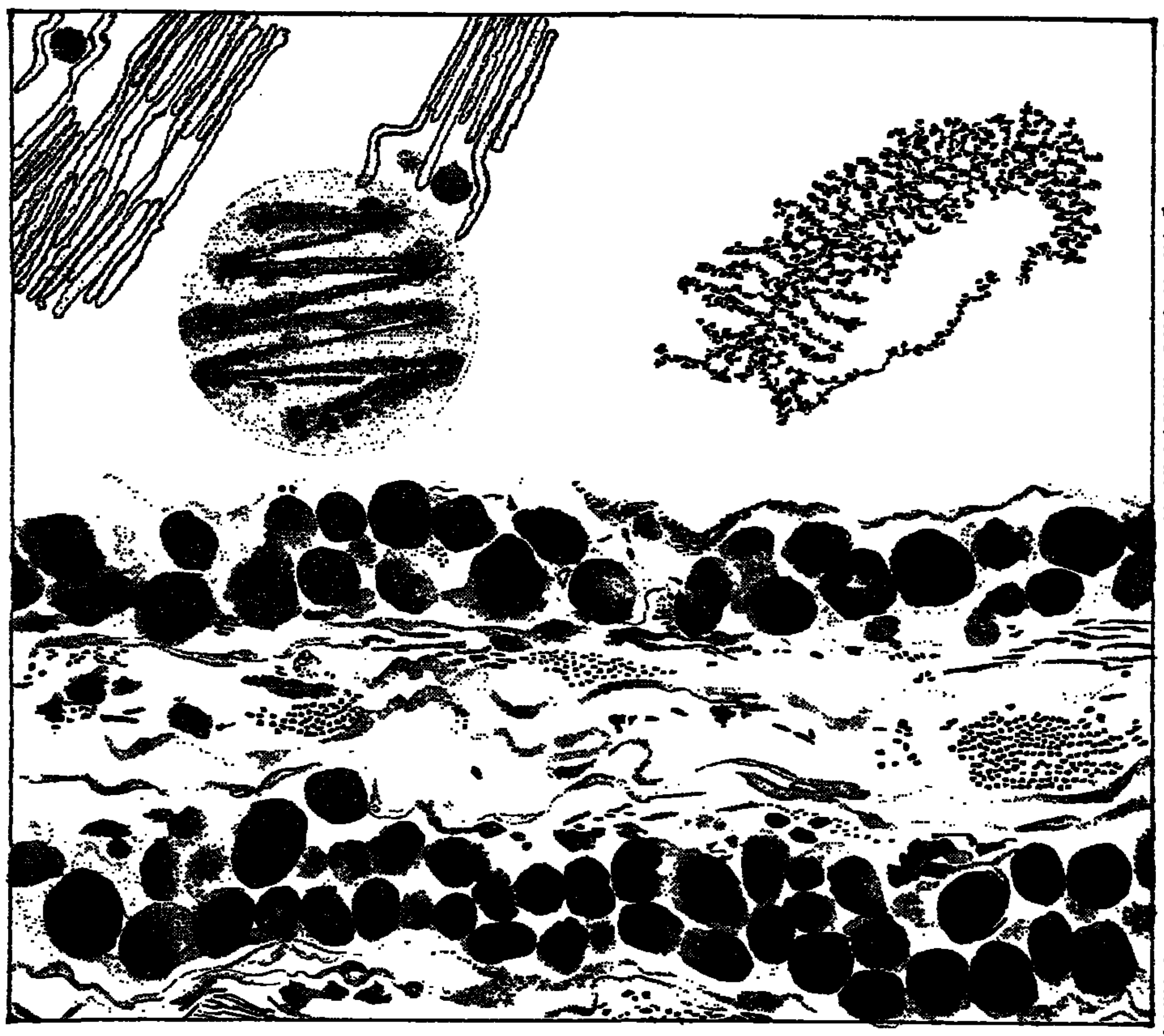
SECTION IV

FINANCIAL TIMES

SURVEY

It is an enabling technology capable of enhancing many industrial activities. For many investors, however, biotechnology is simply a new way of inventing miraculous cures, which helps account for the volatility of the market. A survey by **David Fishlock**, Science Editor

Investors and enthusiasts



Biotechnology

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☐ *Illustration by Ann Chasseaud. Based on Histology by Johannes Rhodin (Oxford Medical)*

BIOTECHNOLOGY'S potential is undiminished – only the investor's perception has changed, a banker assured a conference in London recently, arranged by Swiss Bank to update European investors, analysts and fund managers on some of the progress and changes. He estimated that over $2bn had been raised in the capital markets in support of biotechnology companies.

By any absolute standards, the pace of biotechnology has been breakneck since the mid-1970s, when the subject shed its old image of industrial microbiology and re-emerged in a glamorous new guise. Where previously it had been restricted to the micro-organisms that nature provided, now the bioscience could begin to design organisms to do the job required.

The changes promised ranged all the way from making microbes more in tune with the climate and pace of the production line, to mimicking and even improving upon nature, by augmenting the flow of a host of complex chemicals used normally by our bodies. Some of the names of these chemicals – interferons, interleukins, insulin – became household words.

At the same time a more subtle change occurred in the industrial practice of microbiology, the fermentation or mass culture of microbes. Industry learned – sometimes expensively – that what had been a craft long associated with highly prized foods and drinks, and from the 1940s with antibiotics, now needed much higher technical standards. For consistent results and high productivity, it needed the kind of quality control and quality assurance at every stage that is associated with the aerospace, micro-electronics and nuclear industries.

In short, biotechnology is "high technology" in a way industrial microbiology never was, with all that implies in the overheads of the operation and the calibre of people needed to use it successfully. It needs people imbued with special standards of care if it is to succeed commercially.

Biotechnology is not an industry but an "enabling technology" which could be of assistance to a much wider ranger of industrial activities than microbiology. Those who recognise this fact most clearly are the specialised investment trusts such as Biotechnology Investments with its astonishing diversity of technical interests, and trade associations such as the Association for the Advancement of British Biotechnology (AABB), trying to cater for such diversity.

For many investors, however, biotechnology remains simply the prospect of inventing a drug for what has been thought an incurable affliction. For them, a biotechnology company is a bioscience research team with a prodigious appetite for cash, and a portfolio of ideas culled from academia for fashioning drugs to overcome such diseases as cancers, heart disease, rheumatism, arthritis, Aids and other virus infections, and inborn metabolic disorders. The widespread yearning to defeat some of these ills – especially cancer – is already plain from the generosity with which research charities are funded.

Collectively, the biotechnology investor can have little cause for complaint with these "biotechnology boutiques." True, it usually took longer and cost more than the scientist said, but no-one should have been fooled by that. True, too, there have been disappointments such as interferon, which has not yet proved the panacea once predicted.

But the boutiques, led by Genentech whose formula has been widely – if not always carefully – copied, are certainly achieving their targets. A popular one in the early-1980s was tissue plasminogen activator (t-PA) for dissolving blood clots. Several research teams have succeeded here and t-PA reached the market in the US late last year.

More surprisingly, most of the boutiques launched in the late 1970s and early 1980s survive and can still raise cash for their research. Few have folded or been bought out. The biotechnology trusts report that invitations to fund new biotechnology ventures are coming in at an accelerating rate, currently three or four a week, mostly from the US.

The technologies in which such ventures specialise is steadily widening. Recombinant DNA or "gene-splicing", the original technique to which the term genetic engineering was applied, remains the dominant one. It has proved a very powerful and versatile way of modifying microbes to make them more useful workhorses. The hybridoma technique of making monoclonal antibodies has also proved powerful and increasing versatile, and will become more so following its successful fusion with gene-splicing to "humanise" animal antibodies.

These two techniques have stimulated a host of associated opportunities for biotechnology: machines which can imitate the skills of the molecular biologist in unravelling genetic structure or synthesising a gene; membranes crafted with the exquisite precision of a living cell wall, claimed for example to remove alcohol from a beverage without changing its flavour; a way of cultivating a patient's own skin cells to grow pieces of living skin for grafting.

The beauty of many of these peripheral opportunities for biotechnology is that, while promising to solve real and widespread problems, they may avoid the expense and delay inevitable nowadays in demonstrating efficacy and safety in a new drug. If the bio-enthusiast has misled the investor at all, it is in underplaying both the time and the cost of convincing regulatory authorities. The established drug industry recognised this from the start. Moreover, the painful experiences of such companies as British Petroleum, ICI, Nestle and Ranks Hovis McDougall in the 1970s provided ample evidence that biotechnology applied to new foods and animal feeds would also face formidable regulatory hurdles.

If further evidence is needed in 1988 that biotechnology has won a place in our society, it can perhaps be found in the pages of Private Eye this month, which mocks the pretensions of the Cambridge company Plant Breeding International in trying to convey its message by means of what it calls a "crisply contemporary" logo representing "the union of science and nature."

Graver problems, however, face biotechnology as it emerges from a decade of frenetic research and development into a world which has sometimes treated the elitism of high technology very harshly. A major concern of the trade association AABB, representing about 80 firms out of a catchment of perhaps 100 in Britain, is regulation as it affects manufacture and testing of genetically engineered products.

Some European Community governments are voicing views about the alleged risks of environmental release of modified microbes – whether deliberately in agriculture and elsewhere or inadvertently in an industrial leak – which appear to parallel their fears about nuclear power. Mr Alex Williams, the Government Chemist, in charge of Britain's support programme for biotechnology, endorses the AABB's worries that biotechnology in Britain could be done what he calls "a great disservice" by an ill-considered EC regulatory regime.

He believes there is general agreement in Whitehall for the scientific view that risks are very low and can be contained by a regime that will not hobble industrial progress.

Mr Ed Trewhella, the AABB's secretary, and his chairman Dr Peter Rodgers, say the association generally supports the principles of the three proposed European directives currently being circulated for comment. What worries them most is how long it takes to get European legislation approved.

Closely associated with regulatory worries is the question of public information on biotechnology, and its role in maintaining the present benevolence of British public opinion generally. Pockets of intemperate antagonism – the Vegetarian Society recently castigated the proposed use of bovine growth hormone to boost milk yields as "perverted high-tech husbandry" promoted by an industry desperate to get "returns for importunate investors" – convince the AABB that it must help create and maintain a well-informed public throughout the EC.

Manpower – the risk of specific skill shortages – is another factor which could cramp progress. Evidence comes from the Institute of Manpower Studies at Sussex University. Mr Richard Pearson, deputy director, says it is still an emerging technology "for which the boundaries, priorities and skill needs are changing."

He forecasts a 10-15 per cent annual growth in demand for professional staff, and growing emphasis on plant molecular biology, downstream processing, protein engineering and biochemical engineering. He foresees an intensifying of present skill shortages in plant molecular biology and in key specialities within bioprocess technology.

Mr Pearson warns that the US can be expected to increase its efforts to recruit from Europe to assuage its own fast-growing demand for bio-skills.

Flow of finance is one further worry for the development of biotechnology generally. There are still some obstacles to ensuring that the brightest ideas are backed. Some of them are rooted in questions about who should own the intellectual property, with dons believing that without their ideas there would be nothing to invest in, while commercial experience tends to teach that good management rather than academic brilliance is the key to success.

As the Government Chemist acknowledges, companies can be unhappy about putting their money into something they do not own. The answer lies in convincing the dons that they will receive "just rewards" even though they are assigning control of their intellectual property to the company.

Two specialist trusts and a number of funds have been set up to invest in the sector

Ventures that may appeal to the heart of the City

THE PAST year has been turbulent for biotechnology shares, for three reasons at least.

First, just a year ago came the bad news for Genentech that it had failed to win the approval of the US Food and Drug Administration for its genetically engineered tissue plasminogen activator (t-PA). This setback for the undisputed market leader among the new research biotechnology companies adversely affected a large number of bio-shares.

The other two reasons were not specific to biotechnology. They were the Wall Street crash in October and its consequences for stock markets workwide; and what Lord Rothschild, chairman of Biotechnology Investments, the N.M. Rothschild biotechnology trust, calls the "disequilibriating gyrations in exchange rates, particularly involving the US dollar."

Biotechnology Investments, touchstone of investors by virtue of the sheer professionalism it has brought to bio-investment through the team of managers and scientific advisers built up by Lord Rothschild since 1981, suffered a more personal setback last year. Two fund managers left to form a new bio-investment trust for Abingworth Management.

They paid their former employer the tribute of launching Biotechnology Venture Fund with "exactly the same investment policy as Biotechnology Investments," says Mr David Leathers, fund manager. Both funds rank evidence of management skill more highly than evidence of an original idea in deciding where to invest.

The October crash which caused the Rothschild portfolio to plummet (see chart) proved a boon to the new fund. Abingworth raised $50m in August and was "very fortunate in having an instant bear market in October," says Mr Leathers.

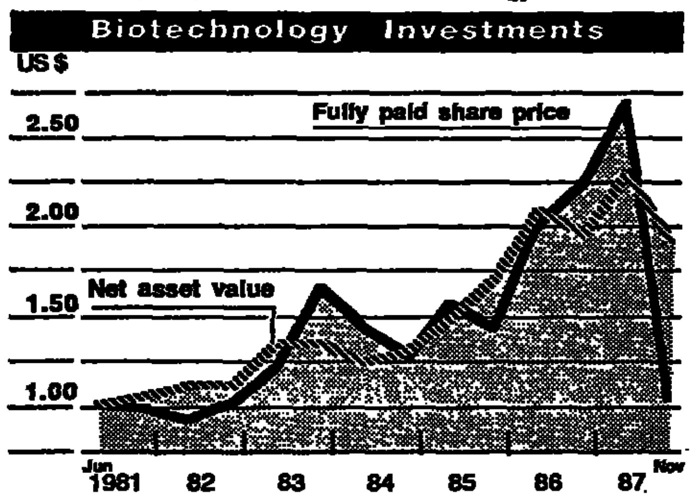
There was much distress selling in biotechnology and at this time he made investments in such quoted US shares as Amgen, Centocor, Immunex and Genetics Institute – all leading US research companies launched in the 1980s primarily to develop new therapeutic drugs.

Both of the biotechnology funds report that there has been a healthy flow of fresh invitations to invest in unquoted companies, particularly from the US, but also, to a lesser extent, from the UK

Both of these funds report a healthy flow of fresh invitations to invest in unquoted companies, particularly from the US. Biotechnology Investments, under its new fund manager, Mr Jeremy Curnock Cook, reports 99 proposals for the six months to end-November, compared with 48 for the same period the year before. Of these, 73 came from the US and 15 from Britain, leaving only seven from the rest of the world.

Biotechnology Venture Fund reports a flow of about three proposals a week, of which 75 per cent come from the US and 20 per cent from Britain. So far it has invested $15m in both unquoted and quoted shares.

Biotechnology Investments now has a portfolio of 48 unquoted investments, 33 in the US, 12 in Britain, one in Ireland and two elsewhere in Europe. The fund has recovered, says Mr Cook. What began in 1981 as a $50m trust is valued today at about $140m.



Lord Rothschild, chairman of Biotechnology Investments

But there is other evidence besides these two specialist trusts that the City is taking bioscience and biotechnology seriously as a potential source of money-spinning new products, especially therapeutic drugs.

Two new venture capital funds, launched in London this year, have stressed healthcare and biotechnology as targets. They also express confidence that Europe will try to match US enthusiasm for launching new bio-ventures.

Guinness Mahon, the merchant bank, has set up Medpro, a trust to launch medical and surgical companies with a common theme of improving the efficiency and productivity of medical practice.

It takes its cue from the rising cost of medical care and a belief among its fund managers that biotechnology in its manifold forms can make an important contribution to cost control, for example by shortening the time spent by patients in hospital beds. They believe it means spending more money close to the patient, to enhance efficiency, says Dr Brian Burroughs.

Since the Medpro trust has a lifespan of only eight years, it will not be venturing into drug development. Its managers – all claiming considerable industrial experience – want to see clear evidence of an exit route for its new ventures; a point also stressed by the new management at Biotechnology Investments. Medpro hopes to raise enough funds – up to $25m – to help launch 20-30 new ventures, mainly in Britain.

Charterhouse Bank has launched a £40m European venture capital fund with a strong emphasis on biotechnology and healthcare. In particular, it is seeking new British ventures and co-operation with European venture capital sources.

The Charterhouse managers see the sector as very suitable for venture capital – "large, rapidly growing, international and not normally susceptible to economic cycles."

Their confidence is rooted in a smaller fund launched for Charterhouse in 1984, by Dr John Walker, which has invested about £4m in six biotechnology and healthcare start-ups. Dr Walker expects half of his new fund to be invested in these two sectors.

Charterhouse Venture Fund and Guinness Mahon collaborated in one start-up earlier this year, when they helped launch Bioprocessing Associates, a company with a new way of processing blood. Its technology meets the Medpro criteria for it promises to reduce dramatically the cost of fractionating blood.

Before joining Charterhouse Dr Walker had launched 3-i Ventures into biotechnology with such investments as Celltech, Imperial Biotechnology and Plant Science. The 3-i portfolio, managed today by Mr Philip Morgan and Dr Sheela Kapadia, now numbers six investments, all based on university or teaching hospital ideas. Celltech has been sold, but new ventures include Biocompatibles, involving the Royal Free Hospital, London, and Brunel University in a venture to exploit new medical materials, coatings and devices.

The *"enterprise cheque"* scheme is a new initiative to finance developments which are past the basic research stage and seem to have reasonable commercial potential, Dr Kapadia says. It was launched last year by 3-i in response to a demand it perceived for small sums of cash to allow dons to prove feasibility or collect extra data for ideas that are past the proof-of-principle stage.

Under the scheme, 3-i buys a minority stake in the idea for a payment averaging £25,000, in the form of seed money – not a loan, it stresses – that can be made available with minimal delay. "We see this as a risk investment which could give us a head start by being close to the deal should it materialise." Four cheques have been signed so far.

In March, the Association for the Advancement of British Biotechnology published a brief survey of the attitudes of venture capitalists towards investing in biotechnology, which it had commissioned from Venture Link Investors. Ms Hilary Marsh, an association council member, interviewed managers from 14 British funds, with the aim of establishing their level of enthusiasm and the characteristics most likely to help a proposal succeed or fail with the banker. The 14 funds had all made biotechnology investments – in total, more than £36m in British ventures – and were interested in investing more.

Nearly all fund managers were interested in pharmaceuticals and bio-process equipment, followed by diagnostics and plant agriculture. Fewer were looking for opportunities in food and drink or environmental control

Nearly all favoured pharmaceuticals and bio-process equipment as the sectors of greatest interest, followed by diagnostics and plant agriculture. Fewer were looking for opportunities in animal agriculture, food and drink, or environmental control.

The most discouraging characteristic of the biotechnology proposals they received were identified as:

- lack of commercial management (although half of the fund managers thought this was equally prevalent in other subjects seeking venture capital);
- over-valuation;
- need for large investment (pharmaceuticals only);
- uncertainty about product protection.

Asked how many years they would consider it reasonable to wait for first profits from a biotechnology investment, all said they would be satisfied with profits inside four years. Some said their patience would extend to seven years. Only four said they were willing to wait more than seven years to realise their investment.

The association's report ends with a warning for would-be bio-entrepreneurs. An over-riding theme in the responses of the fund managers is that although biotechnology offers many opportunities for venture capital, they are often not presented in a usable form. "Coaxing them into shape simply requires too much hard work. Competing investment opportunities can be taken up more easily."*

** Attitudes of UK venture capitalists to biotechnology investments. By Hilary Marsh. The Association for the Advancement of British Biotechnology, 1 Queen Anne's Gate, London SW1H 9BT.*

Peter Rodgers (left), chairman and Ed Trowbella, secretary of the Association for the Advancement of British Biotechnology Trevor Humphries

Government support has switched from backing companies to co-funding projects

Good ideas can lead to collaboration

"We don't really need that much more science for industry for the rest of the century. We need to identify what is needed."

THAT ASSERTION, by a senior British government scientist, sums up the government's attitude towards biotechnology as a well-developed "enabling technology" in search of the best opportunities for commercial development, preferably for an international market.

There are clear signs that the academic scientists who provided these powerful new industrial tools have now got the message that they must help industry use them. The Laboratory of Molecular Biology in Cambridge is an example of a national laboratory with an international reputation for its science which nevertheless has plunged enthusiastically into the art of technology transfer (see page 5).

Britain's national programme of support for biotechnology was launched in November 1982, in the wake of the Spinks report from the government's top technical advisers. During the next five years it evolved what Dr Ron Coleman, chief scientist and engineer at the Department of Trade and Industry, has called "a rich tapestry of transfer mechanisms," including awards to research scientists, the "teaching company" scheme extended to biotechnology, and workshops for academic and industrial scientists designed to lead to joint development programmes.

It identified "chosen vessels" for industrial exploitation of government-funded bioscience: Celltech for human therapeutics, the Agricultural Genetics Company for food and agricultural opportunities, and Porton International with its special association with the Centre for Applied Microbiology and Research (CAMR) on Porton Down.

But the support for individual firms which has characterised much of the DTI's backing for biotechnology is no longer permitted under its new rules. Without reneging on existing contracts, the Biotechnology Unit of the Department of Trade and Industry, under Mr Alex Williams, the Government Chemist, is focusing wholly on collaborative programmes. The prototype is the "genetic tool-kit" programme set up two years ago, involving 11 collaborators from industry and academia.

A new one, announced under the Link scheme for funding research, is in eukaryotic (cellular) genetic engineering, which is proposed as a programme costing £4.6m over four years. The government will put up 50 per cent, shared equally between the DTI and the Science and Engineering Research Council (SERC), and industrial collaborators the other 50 per cent. One project proposed involves Glaxo, British Bio-technology and Oxford University.

Other collaborations of this kind are being devised on biotransformations (£4m proposed), and selective delivery of protein drugs (£3m). Both SERC and the Medical Research Council are involved in the latter. Several more collaborative programmes are planned under the Link initiative, including one on the use of genetically engineered enzymes in food processing, with the support of the Ministry of Agriculture, Fisheries and Food.

Mr Williams still uses the small team of government scientists and full-time technical advisers seconded by industry, built up as a personal thinktank for biotechnology by Dr Coleman when Government Chemist. This Biotechnology Unit, regularly renewed, keeps him close to commercial expectations. The difference now is that collaborative schemes require so much more groundwork than individual investments. Good ideas for projects – not cash – are the limiting factor, he says.

An area that Mr Williams is keen to see develop is research in support of risk assessment concerning the release of genetically engineered organisms into the environment, whether deliberately or due to a leak. Scientific evidence so far suggests that the risk is very low. More evidence may help to convince European governments which are cool about testing new agricultural and other products.

The overall rate of government support has been falling. But spending should now pick up again, as the Biotechnology Unit works up a new programme

Because single company support has lapsed over the past year, the overall rate of government support for biotechnology has been falling. The Link initiative was delayed by debate over research overheads and intellectual property rights. Spending should now pick up again, limited only by the rate at which his Biotechnology Unit can work up a new programme, Mr Williams says.

In Scotland, world-famous for whisky and once the scene of another ambitious fermentation of single-cell protein for animal feeds, nearly 30 small biotechnology companies have appeared during the 1980s. They divide about equally between bio-products and bio-services.

The biggest company, Shield Immunologicals, founded in 1982 by scientists with Dundee University Medical School to develop new medical tests, aims to be employing 250 by 1992. Another company, Fermentech, is Swedish-owned, with a licence from Pharmacia to make Protein A. It is seeking US government approval for its £1m plant.

The Scottish Development Agency is energetic in promoting opportunities for biotechnology in Scotland, as an alternative to its declining heavy industries. It is also driven by what is perceived as a brain drain of ideas and bio-skills to England, away and Japan, watching for opportunities to persuade thriving new research companies to start manufacture in Scotland. Its specialists try to spot opportunities that will give Scotland a complete spectrum of biotechnologies.

Mr Iain Shirlaw, head of the SDA's healthcare and biotechnology division, has developed a concept called "development funding," to make cash available at a stage before venture capital might be appropriate – to develop a prototype, or to do the market research needed to underpin a good business plan.

The SDA will invest about £30,000 under this scheme pro- from an academic culture with what is claimed to be the highest per capita output of medical graduates of any country.

As an arm of government, the SDA enjoys the kind of autonomy known by the British Technology Group in London nowadays. It has outposts overseas, in the US vided it is matched by contributions from the entrepreneurs. For its investment the SDA wants an option on shares in the ensuing company should the venture go ahead. It also offers to provide experienced executives to hold the hands of entrepreneurs taking their first tentative steps.

Alliances can be arranged

ACCORDING TO Dr Roger Hood, of Peat Marwick McLintock, there has been an explosion in the birth rate of biotechnology companies.

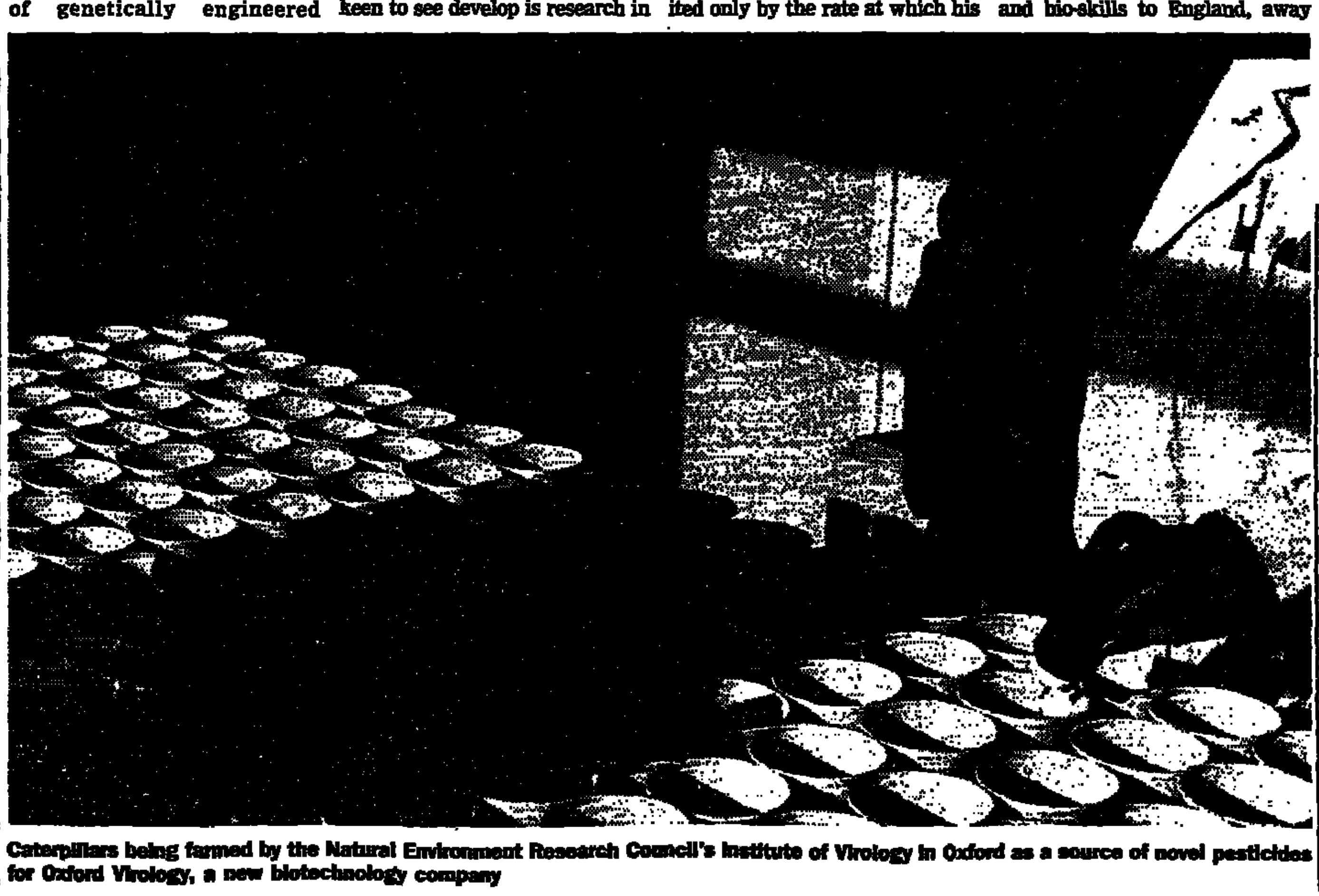
His firm's management consultancy regularly receives requests and approaches from biotechnology companies seeking a parent with the necessary capital and management skills, and also from big companies looking for biotechnology ventures. "Strategic alliances are now in vogue," he says.

They must be commercially attractive to both parties without destroying the R&D spirit of many embryo biotechnology companies. "The last thing many biotechnologists want to do is to be swallowed by a conventional research and development directorate from which many of them escaped in the first place," says Dr Hood.

Peat Marwick has set up biotechnology groups in London and New York.

And what is the marriage broker's recipe for success? "In any successful alliance there must be a high degree of synergy in terms of marketing, attitude, ambition and desire of both participants," says Dr Hood.

"The skill of the consultants is to ensure this synergy exists and both parties are aware of it."



Caterpillars being farmed by the Natural Environment Research Council's Institute of Virology in Oxford as a source of novel pesticides for Oxford Virology, a new biotechnology company

Announcing the kind of British business success that gets into you-know-who's good books.

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Yet this describes British Bio-technology to a T.

In the two years or so since the company set up shop, it has grown ten-fold.

So successful has it been that bio-pharmaceutical corporations the world over have been queuing up to do business.

BBL are, for instance, developing new treatments for heart attacks and for arthritis with SmithKline Beckman.

Working on cholesterol-lowering drugs with Johnson & Johnson.

Investigating new ways to combat vascular disease in co-operation with Pfizer.

And developing new diagnostic tests together with Abbott Laboratories.

BBL has also brought Britain to the forefront in the race to find an AIDS vaccine. Working in close co-operation with British Universities and the Medical Research Council, the company is testing a revolutionary new approach.

And all this from the company which only last year was first in the world to market synthetic human genes which are helping other companies make innovative medicines of their own.

Small wonder, then, that thirteen large British and American investor groups have been only too keen to have a stake in the company.

They realise that British Bio-technology is poised to join the top league of the world's bio-pharmaceutical businesses.

Which is not only good news for investment but good news for Britain.

And, of course, for you-know-who.

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The challenge of international recognition

More patent battles likely to limit the marketplace

IN CAMBRIDGE, Massachusetts, they tell of the boisterous British businessman who rang from the house he had rented on the New England shore and invited them over to discuss a joint venture in biotechnology.

From the barbecue Mr Bill Castell organised emerged Welgen Manufacturing, a £20m joint venture between Wellcome and Genetics Institute, a thrusting US biotechnology research company with a cluster of novel drugs nearing the market.

The two partners announced their new biotechnology production plant would come on stream in 1989. It has been designed in Britain and combines Wellcome's renowned skills in large-scale fermentation with its partner's impressive portfolio of at least eight new products invented since 1981, and its location in the world's biggest market for therapeutic drugs.

Mr Castell, chief executive of Wellcome Biotechnology, has already secured a bridgehead to the world's second-biggest market, Japan. Early last year Sumitomo Pharmaceuticals opened its Sumiferon factory, based on Wellcome interferon technology, derived in turn from the company's traditional skills in vaccine development and manufacture.

The £20m Sumitomo facility, based on four 8,000-litre fermenters, is said to be the world's biggest deep cell culture plant making alpha-interferon from mammalian cells. Wellcome receives a royalty on its sales.

Few British pharmaceutical companies so far have been as keen as Wellcome to forge partnerships with the new biotechnology research companies. ICI has created its own "autonomous" biotechnology company in-house. Glaxo has acquired the Geneva laboratories of Biogen, once the fountainhead of that company's big portfolio of biotechnology targets.

But the leading British biotechnology research companies, including Celltech and British Bio-technology, have had to seek overseas partners for development of their new drugs.

However, Shell International Research embarked on a joint venture in research with Gist-brocades, the Dutch biotechnology company in 1983.

International Bio-Synthetics (Ibis) is a 50-50 commercial venture, incorporating the industrial enzymes business of Gist-brocades and Ward Blenkinsop, Shell's fine chemicals business. It operates "at arm's length" from the two parent businesses.

Ibis's initial target is purer intermediates for the pharmaceutical industry. Dr Herman Kooreman, director of New Business Development, told a meeting of the European Industrial Research Management Association in Madrid last week.

More than 25 per cent of the drugs used today contain a therapeutic agent that is contaminated – up to 50 per cent – by a chemically closely related isomer. Often the isomer can have aberrant interactions with metabolic systems, he maintained. The same holds true of synthetic agro-chemicals and their interactions with ecosystems.

Ibis's idea is that pure versions of the chemical, free from the undesired isomer, can often be produced by biotechnology. Since 1983 it has filed 10 patent applications. The company is after a share of the market for finished pharmaceuticals which it puts at $90bn in total worldwide, with a growth last year of about 4 per cent. Although much of this has been kept "in house" by the industry, a multi-billion business-to-business market remains open to competition.

The challenge as it sees it, is to persuade the pharmaceutical companies to pay for purer chemicals even though bio-synthesis tends to be more expensive than chemical synthesis.

In the longer term, it sees opportunities for bio-synthesis in creating new high-purity chemical complexes for the electronics industry, for example in liquid crystal displays.

Patents are still a major area of uncertainty for the inventive biotechnology boutique. Genetics Institute and Amgen each has a US patent on erythropoietin (EPO) made by different methods, the first by purifying a natural source, the second by genetic engineering. The two boutiques have filed infringement suits against each other and the legal squabble could continue for a couple of years.

Another major patent battle concerns tissue plasminogen activator (t-PA). A British patent awarded to Genentech in 1986 was revoked last year, when challenged by Wellcome on the grounds that its claims were too broad and threatened to hobble further research.

Genentech's appeal is expected to be heard this summer. The outcome could affect a score of companies working on t-PA.

A recent report from Eberstadt Fleming in New York, reviewing problems facing biotechnology, forecasts that patent battles will continue, even though investors would prefer to see disputes settled quietly and inexpensively out of court.

With potential markets for drugs like EPO and t-PA put at hundreds of millions of dollars, companies "appear willing to spend $5-10m on legal battles in the hope of excluding others from the marketplace." The report concludes that uncertainty about the outcome will continue to pose a risk to investors.

A leading US patent lawyer has endorsed this view. Addressing the recent Swiss Bank biotechnology conference in London, Mr S. Leslie Misrock, a partner in Pennie and Edmonds of New York, said his experience was that companies believed the important thing was not whether they were first, but what defences they could mount to their patent position. He argued that the scale of the potential profits encouraged a "winner takes all" attitude and discouraged cross-licensing agreements.

Primarily a healthcare company these days, Amersham International, with a world market for research reagents and medical diagnostics, has taken a different path altogether. It has been seeking a new product line to sustain its high rate of growth from radioactive products into the 1990s. It believes it has found one in microbiology – biotechnology applied to the purity of food, drink and water supplies.

Amersham aims to apply the powerful bio-science behind its Amerlite medical diagnostics system, based on bioluminescence, to the development of new tests for microbial toxins such as salmonella in food.

An estimated 1bn tests a year are performed worldwide to control pathogenic organisms in food. "We could float a nice business just on salmonella," says Dr John Maynard, director responsible for new business.

Dr Maynard believes that, given simpler tests, far more testing would be done than today when it may take several days to culture the sample and produce a result. The company is working on tests that will take only hours, even minutes, he says.

The company claims it could save the British food industry alone about £100m a year by cutting the inventories of food being stored while awaiting the result of tests.

Derived from a tiny plant that is distantly related to the mushroom, Quorn has been developed by Marlow Foods, a joint ICI-RHM venture and is being used in a new range of Sainsbury's savoury pies and at British Home Stores restaurants (see story below)

ICI research

That elusive cash flywheel

NO BRITISH company is more keenly aware of the pitfalls of biotechnology than ICI, with the world's biggest fermenter idle on Teesside.

In the late-1970s, when the proliferating biotechnology research companies were all enthusing about genetically engineered interferons and other prospective cures for cancer, ICI's biotechnologists chose a less glamorous target. They deliberately sought a "cash flywheel," something which might keep cash rolling in from biotechnology, to finance what they knew must be a protracted and costly search for new bio-pharmaceuticals.

They hoped the cash flywheel would be Pruteen, a protein-rich mixture made by raising bacteria in bulk on a diet of methanol. They spent prodigiously, developing and building a continuous fermentation and harvesting process to make their premium animal feed.

But Pruteen failed to fetch prices that repaid the heavy technological investment. The market today is limited largely to special diets for veal calves and piglets. "The economics do not look good," says an ICI executive.

Pruteen dented but did not destroy ICI's faith in biotechnology. The main board recognised it as an "enabling technology," underpinning some of its best prospects for future growth, notably in bio-pharmaceuticals and agro-chemicals. As Dr Charles Reece, research and technology director, says, over half the company's £400m annual R&D budget goes into biological R&D.

ICI has therefore created its own mini-company to pursue biotechnology. Biological Products is an autonomous company, smaller than some of the leading biotechnology research firms. But Dr John Russell, the general manager, can boast some impressive resources. He reports to no division, for Biological Products has its own advisory board of senior ICI executives.

Nevertheless, he has inherited such resources as the 50,000 tonnes a year Pruteen fermenter, the pilot fermenter of 1,000 tonnes a year capacity which preceded the big one, and all the biotechnology R&D support. They add up to a replacement value of perhaps £60m, he says.

Dr Russell's latest acquisition is a £2.5m multi-purpose fermentation plant designed by the company and built by John Brown. It is based on a 20,000-litre fermenter. It draws heavily on the experience of making the Pruteen fermenter run continuously under sterile conditions, Dr Russell says.

Biological Products is earning upwards of £10m a year, partly from Pruteen sales, partly from a diversity of other bio-inventions now being made in "campaigns" on the new fermenter. They include an enzyme which accelerates the conversion of grass into silage, having a sales potential which Dr Russell puts at some millions of pounds a year. Another is an enzyme which destroys cyanide safely, with potential sales put at tens of millions of pounds a year.

A third is a biodegradable plastic called polyhydroxy butyric acid (PHB), made by force-feeding bacteria with sugar. PHB is a good example of how Biological Products plans to progress in biotechnology, through partnerships either with other companies or in-house with specific devisions.

No single application for PHB has emerged that yet justifies a fermenter of its own. But through a subsidiary, Marlborough Biopolymers, ICI has elicited commercial interest in a host of different medical, pharmaceutical, food and packaging applications. The polymer is not only biodegradable but non-toxic and "bio-compatible," meaning it stimulates no foreign-body reaction when buried as splints or spare parts in living tissues. It simply biodegrades and dissolves away.

In 1983, a fortuitous meeting between executives of ICI and Ranks Hovis McDougall, the food company, produced another partnership for what, in the view of Dr Reece, could yet prove to be the cash flywheel they failed to find in Pruteen.

Through the joint venture, known as Marlow Foods, ICI has scaled up the manufacture of an edible fungus called mycoprotein with which RHM had been experimenting for nearly two decades. There were even suggestions at one stage that mycoprotein might be made in the big Pruteen fermenter.

It took much longer than the biotechnologists expected for the two partners to scale up RHM's technology from the 50-tonne plant at its High Wycombe research centre. Here were two very different companies, one 10 times the size of the other, in quite different industrial sectors and bringing very different technological and marketing experience to the project, says Dr Jack Edelman, chairman of Marlow Foods and former technical director of RHM.

A tenuous hold on the market, through Sainsbury and its pioneering "savoury pie" – which has mycoprotein instead of meat – had to be courted assiduously while the partners learned to make it in quantities that satisfied just this one customer.

For the past 18 months, however, Marlow Foods has been making it in the Pruteen pilot plant on Teesside, in continuous runs, at the rate of about 1,000 tonnes a year. It is made in sheets two metres wide, looking rather like chamois leather. The sheets are flash-frozen and stored until ready to be processed into "bites" of the size, shape and texture ordered by the food processor.

Today, the partners are confident the big technical problems have been overcome, not least in the "downstream" processing of mycoprotein. Marlow Foods is selling about 150 tonnes a year, mainly to Sainsbury and British Homes Stores. But other potentially big consumers are expected to launch products soon. The customers seem to be people who like the taste and flavour of meat and other traditional sources of high-grade protein, but believe some mycoprotein could give them a healthier diet, Dr Edelman says.

The irony is that it has taken even longer than the pharmaceutical industry allows to bring a major new product to the market.

Sir Roger Bannister, Master of Pembroke, Oxford (right), receiving a cheque for £250,000 to support a college fellowship in microbiology from Frank Buckley, chairman and chief executive of BTP, the chemicals group

THIS SPRING the world's biggest air-lift fermenter for cultivating mammalian cells is being commissioned in Britain by Celltech, the Slough-based biotechnology company. The lofty 2,000-litre culture system has been designed and assembled by company engineers at a cost of £1m.

From a brew of 2,000 litres the fermenter will culture a few hundred grams of pure protein. Sold as the kernel of a new drug or medical diagnostic, such material can fetch up to £500,000 per kilogram.

Celltech's past experience of scaling up such activities suggests that the productivity of its latest fermenter will exceed that of the pair of 1,000-litre units it last installed. The new unit brings its cell culture capacity to a total of 4,800 litres.

So far, it says, cell culture has followed the laws of scale-up familiar for more conventional kinds of process engineering, in terms of the economies it brings. They are already discussing the next stage, the fermenter for the early-1990s, of 5,000 or even 10,000 litres capacity, to stand alongside the latest Leviathan.

The technology has come a long way since Mr Gerard Fairtlough and his colleagues, while putting together the company which was to become Celltech, discovered its origins in the Laboratory of Molecular Biology (LBM) in Cambridge.

Early in 1980, they found Dr Ed Lennox working there on ways of scaling up some of his own monoclonal antibodies, which were capable of discriminating between the different blood groups.

These monoclonal antibodies promised to simplify the tricky diagnostic procedure of blood typing for doctors. But Dr Lennox knew that they would be useful in medicine only if they could be cultured in substantial amounts – something no-one in 1980 knew how to do.

Mr Fairtlough, previously managing director of Shell Chemicals, recognised from the start the importance of process technology to his embryonic bio-science company. He wooed Mr John Burch from the LBM to work on the scale-up of Dr Lennox's antibodies.

By 1982 Celltech was making them for Ortho Diagnostics, the brand leaders in blood typing reagents. Celltech also supplies the UK Central Blood Laboratory Authority.

"This provided the drive to get to the kilogram scale," says Mr Fairtlough. The same process technology underpins most of Celltech's present and prospective products.

A bio-reactor of a very different kind is under development by

Spotlight on recent - and future - advances

New ways to get into blood

Gerard Fairtlough, chief executive of Celltech

Photo Bioreactors, a new company based at Sonning near Reading, which is scaling up the inventions of a team at King's College, London, formerly led by Professor John Pirt. The company, to which Prof Pirt is now a consultant, raised venture capital from 3-i Ventures and others to launch into pilot-scale manufacture of high-value materials derived from algae.

The reactor currently takes the form of "walls" of polythene piping, assembled into modules and interconnected into a system that continuously exposes algae to sunlight. The algae – rootless, single-cell plants – are suspended in a nutrient stream. Simple analogue controls regulate nutrient flow according to the energy that the organisms are absorbing from the sun through the reactor wall.

In only a year Photo Bioreactors brought a technical concept that Prof Pirt had often been told was "impossible" to the stage of a convincing demonstration of a new biotechnology. It is emerging as a modular technology which the company believes should scale up to what it sees as a commercial size of "see-through" reactor.

The larger of Photo Bioreactors' two demonstration systems is rated at about 100 square metres of exposed surface. The company thinks of a commercial plant as about 10,000 sq metres.

However, executives believe such a plant could be built from modules of the size it is already demonstrating, for a cost of about £3m. They say it could be an attractive way of harnessing barren but sunlit land.

A micro-filter developed originally for the nuclear industry in France, to separate isotopes of uranium, will find a role in a new biotechnology operation in Scotland later this year, when Bioseparation Associates begins to commission its blood fractionating process.

Mr John Watt, inventor and founder, is using rods of the ceramic filter to replace the customary centrifuges used in separating blood products.

The filter is not only robust and well controlled in pore size, but resists "blinding," which previously has hampered attempts to filter blood, he says. A micron-size ripple on the filter creates enough micro-turbulence to keep the filter from clogging and permits continuous processing.

Mr Watt has designed a process which he expects to cut to only 2½ hours a process that normally is a five-day fractionation by high-speed centrifuges. APV Baker is building a sealed unit to his design, incorporating the Ceraver ceramic filter. It will start work on abattoir blood.

Initially, its two main products are expected to be tissue culture medium for the biotechnology industry, and feed supplements for animal husbandry. But Bioseparation Associates and APV Baker also have hopes of a third market emerging early, for turnkey construction of blood processing plants using the new technology.

An American technology expected to make an appearance in Britain this summer promises to have a dramatic impact on the speed with which genetic engineers can unravel the chemical structure of their DNA "targets."

Du Pont, the US chemicals group, has brought its chemical and engineering research together to invent a new high-speed system for sequencing DNA, called Genesis 2000.

According to its inventors, it is ten to 100 times faster than present sequencing methods, as well as more accurate. They believe it will open the way to routine use of sequencing in pathology and forensic testing, such as medical diagnoses and DNA fingerprinting.

The first system for Britain will go to the Medical Research Council's new Molecular Genetics Unit in Cambridge, headed by Dr Sydney Brenner. Dr Brenner has been a consultant to Du Pont's central research and development laboratories on the science behind Genesis 2000.

Its concept originated with Mr Rudy Dam and Mr James Prober in Du Pont's engineering physics laboratory. But Dr George Trainor led the design and synthesis of the fluorescent dyes used instead of the customary radioactive labels for sequencing. These labels, and the "terminators" to which they are attached, are the key to the sequencing speed.

The chemistry underpinning the sequencer requires a 67-stage synthesis – "the most complicated chemical product Du Pont has ever sold." It encouraged the company to take what for Du Pont is the unusual step of making and marketing a complete system, costing $102,500, as well as the reagents.

Mr Prober says the company has brought research, design and marketing of the system together and, with a degree of openness for which it is not generally renowned, is allowing prospective customers to see the whole operation in Wilmington, Delaware. It is already using about a dozen prototype systems itself.

The physicists believe there is still plenty of development potential in their automated machine. Their first goal is to optimise its performance, which may increase its speed a further 50 per cent. But the next big target is a further 10-fold increase in speed.

Sequencing speeds of this order will be needed if the molecular biologists are to achieve their goal of mapping the entire human genome – some 3bn DNA fragments – in the next couple of decades.

Antibody engineering

The therapeutic rat

A NEW spirit of enthusiasm to see inventions adopted and exploited commercially to yield returns for their laboratory has been kindled in the Medical Research Council's Laboratory of Molecular Biology (LMB) in Cambridge.

In March it announced another important advance in the science of biotechnology, and simultaneously disclosed what arrangements had already been made for its exploitation.

The LMB reported that a human antibody had been refashioned into a therapeutic drug by transplanting snippets of a rat therapeutic antibody into it. The idea is to transplant just enough of the rat antibody to impart the desired therapeutic properties, but not so much that it produced a toxic response in the patient.

The technique could overcome major difficulties which molecular biologists have hitherto experienced in making human monoclonal antibodies by the Nobel-prizewinning hybridoma method pioneered at the same laboratory in the mid-1970s.

A team led by Dr Lutz Riechmann and Dr Greg Winter from the LMB and Dr Mike Clark and Dr Herman Waldmann in the department of pathology in Cambridge University disclosed that clinical trials on the parent rat antibody had already begun.

The team hopes that the "humanised" antibody that they have made by antibody engineering will be available for limited trials later this year.

Custom-made antibodies could be the answer to several major medical problems, including cancer, heart disease and toxic shock, according to the Cambridge scientists. They see antibody engineering having great potential in some difficult areas of disease, and as a major step on the road to more rational design of pharmaceuticals, targeted more specifically, and less subject to side-effects.

Celltech, the LMB's closest commercial collaborator, is already using antibody engineering to develop treatments for cancer, toxic shock, cardio-vascular disease and Aids, using a patent applied for by the LMB.

But according to Dr Gordon Koch, part-time industrial liaison officer for the laboratory, antibody engineering is too big an invention for any one company – and even for Britain – to try to exploit exclusively. Dr Koch says the Medical Research Council is prepared to give its licensees assurances that the council will defend any patent infringement, should this arise.

Mr Gerard Fairtlough, Celltech's chief executive, says he believes his company has moved faster and further than any other in the world with the new technology. But he himself thinks "humanised" antibodies could have a much wider application in drug design than his small company could hope to cope with.

Several other companies are already negotiating for licences, among them Unilever for cancer diagnosis and treatment, and Behringwerke, in West Germany, for the control of toxic shock syndrome. Scotgen, a new Scottish biotechnology company, is interested in the technology for tackling infectious diseases.

The MRC is also encouraging technology transfer from its Cambridge laboratory into industry, mainly through direct consultations involving the scientists. It also plans to use a new facility at its research centre at Mill Hill, north London, called the MRC Collaborative Centre, to facilitate technology transfer by undertaking confidential contracts for industry.

All this is a far cry from the acrimony of the 1970s when it came to light that a US laboratory had applied for the first patent relating to monoclonal antibodies. It transpired that the MRC had secured no protection of its rights to the discovery of the hybridoma technology. In contrast, the LMB today is an enthusiastic partner of the biotechnology industry at every level.

A computer-generated model of Intron-A (alpha-interferon), one of the first genetically engineered drugs produced by biotechnology, based on research done for Schering Plough by Biogen

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